

# **A Multi-Partner Evaluation of the Comprehensive Development Framework**

## **Evaluation of the Comprehensive Development Framework (CDF)**

### **Vietnam Case Study**

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## Abbreviations

ADB	Asian Development Bank
AFTA	Asian Free Trade Association
CAS	Country Assistance Strategy
CBO	Community-based Organization
CDF	City Development Strategies
CDF	Comprehensive Development Framework
CG	Consultative Group
COMECON	Council for Mutual Economic Cooperation
CPRGS	Comprehensive Poverty Reduction and Growth Strategy
DAC	Development Assistance Committee
DFID	Department of International Development
DPI	Department of Planning and Investment
EU	European Union
FDI	Foreign Direct Investment
GCOP	Government Committee on Organization and Personnel
GDP	Gross Domestic Product
GoV	Government of Vietnam
HCMC	Ho Chi Minh City
HEPR	Hunger Eradication and Poverty Reduction
IFI	International Finance Institution
IMF	International Monetary Fund
INGO	International Nongovernmental Organization
JBIC	Japan Bank for International Cooperation
MARD	Ministry of Agriculture and Rural Development
MDGs	Millennium Development Goals
MOLISA	Ministry of Labor, Invalids and Social Affairs
MOSTE	Ministry of Science, Technology, and Environment
MoU	Memorandum of Understanding
MPI	Ministry of Plan Implementation
NGO	Non-Governmental Organization
NSCERD	Committee for Enterprise Reform and Development
ODA	Official Development Assistance
ODPA	Official Development Assistance Partnership
OECD	Organization for Economic Cooperation and Development
OECF	Overseas Economic Cooperation Fund
OED	Operations Evaluation Department
PAR	Public Administration Reform
PIP	Public Investment Plan
PMU	Project Management Unit
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
PTF	Poverty Task Force
PWG	Poverty Working Group
SAC	Structural Adjustment Credit

SER	State Enterprises Reform
SWAp	Sectorwide Approach
UK	United Kingdom
UN	United Nations
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Program
USD	U.S. Dollar
USSR	Union of Soviet Socialist Republics
VHSR	Vietnam Health Sector Review
WB	World Bank
WGPAR	Working Group Public Administration Reform
WGSER	Working Group on State Enterprises Reform
WHO	World Health Organization
WTO	World Trade Organization

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# Executive Summary

## Introduction and Historical Background

1. The “Comprehensive Development Framework” (CDF) concept was first articulated by the World Bank president in January 1999 and formulates a set of four general principles for effective utilization of aid:

- A Long-term, Holistic Development Framework
- Country Ownership
- Country-led Partnership
- Results Orientation

2. This study is one of six country case studies conducted as part of a multi-partner evaluation of implementation of the CDF. The report presents the findings of an international team tasked with assessing the extent to which development in Viet Nam, and ODA in particular, is managed in accordance with the CDF principles, and whether the pursuit of these principles improves the quality of foreign assistance. The team pursued this inquiry through informal interviews with some 70 agencies and organizations. The study also included a questionnaire survey focusing on perceptions of change with respect to CDF principles. One hundred and seven people responded, of whom three-fourths were Vietnamese from government and non-state agencies and one-fourth were expatriates from donor agencies and international NGOs.

3. The study does not attempt to attribute improvements in the quality of aid directly to the CDF initiative per se. The team recognized from the outset that processes observable today have a long history. Compared with most developing countries, the preconditions in Viet Nam for the CDF are particularly favorable. Vietnam’s policies to combat poverty have also been markedly successful: the country’s poverty rate dropped from 58 percent in 1993 to 32 percent in 2001—a reduction of nearly half, virtually unparalleled among low-income countries. The country’s commitment to poverty reduction is long-standing. Although many OECD countries and IFIs (ADB, IMF and the World Bank) only resumed ODA programs in the early 1990s, Vietnam has established a good track record of aid management, with a successful liberalization program and no donor conditionality. The country’s long tradition of central planning has built a strong sense of government ownership over policies.

4. Vietnam’s impressive reforms are still in a transition stage; while there is commitment to major reforms, the pace of implementation has often been slow. For several years the World Bank and other aid agencies have cited the need for a second wave of reforms to sustain the country’s economic and social progress. Donors support the country’s main development goals, but sometimes disagree with the government on how to achieve them, though over time the international community has come to appreciate the nuances of Viet Nam’s incremental reform process, and to trust the government’s intentions on the basis of revealed performance.

## **CDF in Vietnam**

5. The CDF concept has been localized in Viet Nam. While very few Vietnamese involved with ODA are aware of the term “CDF,” CDF principles resonate with the thinking in Viet Nam, particularly the importance that the CDF gives to exercising strong national ownership in policymaking, and to a long-term strategic approach to reform.

6. When the CDF was first presented, some in government were concerned that it might be a new World Bank framework being imposed on Vietnam. The Bank emphasized that this was not the case, and that the CDF was more “*a way of thinking and of interacting.*” In time, the CDF was soon understood and accepted as a compact between government and donors, signaling a new way of doing business. The CDF emphasis on partnership and government ownership is now seen almost universally as the only way to work efficiently in Viet Nam. The government has for many years taken a long-term strategic view of development, fostered by the country’s central planning system. The reform agenda has gradually become more comprehensive, with an increasing emphasis on private sector development, the global integration of Viet Nam’s economy and specific policies to combat poverty.

7. However, the long-term vision is quite general in its articulation, reflecting the fact that planning in Viet Nam is part of a political process that seeks compromise among officials with different views on key structural issues such as the role of the state in economic activity. Furthermore, a medium-term planning and expenditure framework is needed to link national plans with public investments. Donors are hoping that the CPRGS (Viet Nam’s PRSP) will fill this vacuum. At the December 2001 CG, the majority of donors pledged to align their support with the CPRGS, indicating that this should become the centerpiece of the ODA system.

8. The CDF survey found nearly 100% of the respondents agreeing that Viet Nam has experienced a major adjustment in long-term strategies since 1998. Most local respondents (86%) say that objectives have become more realistic, though only 16% of expatriate respondents concur. Similarly, 70% of Vietnamese think that plans are now more holistic and balanced, while expatriates are less positive on this (36%). There is greater agreement among the Vietnamese and expatriates that strategies now focus more on poverty reduction (97% locals and 68% expatriates agree) and market reforms (89% and 68% agree).

### **CDF Principle: Country Ownership**

9. Government ownership is strong at the policy level. This is unsurprising, given that sovereignty has been a cornerstone of Vietnamese foreign policy and national identity since independence. Further, Viet Nam’s reform process was well underway when the multilateral financial institutions resumed their programs in the country in 1993. By then, Viet Nam had already started experiencing acceleration in growth in economic output, employment, trade, and investment and this strengthened government commitment to the reform agenda. Although aid has had little impact on decisions to reform, the government has increasingly studied international experiences and sought comments from international experts on technical aspects of the reform process.

10. Shaping long-term national strategy (including development strategy) was, until recently, strictly a party-led activity. However, Viet Nam has made major changes in how it sets long-term strategies, for the first time inviting broad non-governmental and donor participation in reviewing drafts of the most recent 10-year plan. In addition, non-state organizations and private sector representatives say they now have better access to government information, which includes participation in state-led meetings and workshops (NGOs and private sector representatives are now, for example, invited to CG meetings). The government is also consulting people affected by ODA-financed infrastructure, for example by adjusting its approach to land clearance for infrastructure projects. The decree on Grassroots Democracy, strongly welcomed by the donor community, represents an important step toward broadening participation and ownership, though implementation has been slow.

11. The survey documented that 97% of respondents (local and international) felt ODA coordination and delivery had improved since the CDF was introduced. However, there are still outstanding challenges to address; the criteria used to prioritize ODA allocations are too general and difficult to apply in practice, and ODA project design is still largely donor driven. While respondents recognized that there is increasing participation in development planning, they observed a more limited degree and pace of change in the relationship between the government and the non-state sector.

### **CDF Principle: Country-Led Partnership**

12. Donors and the government both report significant improvements in the substance and process of cooperation. CG meetings have become benchmark events, in line with CDF principles; the CG meetings are now co-chaired by government, held in Vietnam and include representatives from the private sector and NGOs. Twenty donor-partnership groups have been formed, leading to greater information sharing, transparency and selectivity, as well as some progress toward sector-wide approaches and harmonization. One example of the mutual confidence developing is the way in which the country's 10-year strategy has been designed. The government invited donors to provide comments on drafts, and the process was considered significantly more open and frank than on previous occasions. Informal contacts are increasing as the government system opens up to foreigners. The partnership groups have helped facilitate this in a number of important sectors.

13. On the government side, aid management still shows scope for improvement, but encouraging progress has been made. Decree 17-CP of May 2001 outlined the basic legal framework for ODA management, and the donor community is now studying how best to align its procedures with this framework. Several ministries want to establish their own mechanisms for managing the dialogue with donors, including through International Support Groups. Multi-donor sector programs (SWAs) are developing, albeit haltingly. Management capacity, however, remains relatively weak at provincial level, where one observer estimated that only 10 of 61 provinces have adequate capacity to operate as full partners with donors (the lack of a common language being one of the problems) at the sub-national level.

14. Donors have also taken steps to improve their own inter-agency collaboration. Information sharing is more frequent and there have been more examples in recent years of joint analytical work, and more instances of joint financing. Parallel funding remains the most

common method of co-financing, but there are now examples of new basket funding mechanisms. Countries and agencies that have assigned greater autonomy to their field offices (the Netherlands, Sweden, and the World Bank being notable examples) have a clear advantage in engaging in partnership initiatives. Without the authority to make decisions on the spot and negotiate partnerships with some flexibility, movement toward greater collaboration is painfully slow. Also helpful, notes observers, is careful selection of key agency personnel: in particular, they note the importance of selecting senior staff with the leadership and interpersonal skills suited to the relationship-building process—which implies an ongoing need for staff with negotiation and communication skills as well as specific technical expertise.

15. The World Bank has set a strong example by delegating authority to the field and deploying staff with the commitment and integrative skills needed to engage in partnership activities. The payoff is seen in the leadership role that the Bank has been able to play as a convener of collaborative efforts with donors and the government.

16. Initial steps have been taken to harmonize procedures. The government has made the greatest effort, notably by promulgating a new law on procurement. On the donor side, the EU's Cost Norms, issued in 2000, have been useful in setting standards for special allowances and fees for the staff of aid projects. The multilateral development banks, ADB and the World Bank, have harmonized their procurement procedures and JBIC, ADB, and the World Bank undertake joint portfolio reviews and are in the process of harmonizing other processes. Several bilateral donors (UK, Sweden, Denmark, and Germany) have increased their involvement in projects that are jointly funded with the World Bank and the Asian Development Bank. A recent study of transaction costs and harmonization by six bilateral donors (the Utstein group) was translated into a set of commitments that they and other donors pursued in the course of 2002. The CDF survey showed broad consensus that the government should communicate with donors collectively on strategy, and with individual donors in relation to specific projects.

### **CDF Principle: Results Orientation**

17. The results orientation principle has proven the most elusive. On the positive side, the government has formulated a set of Vietnamese Development Targets reflecting the MDGs, and these are being incorporated into the CPRGS. The government will work on improving its statistical basis for monitoring changes in livelihoods through a multi-purpose household survey that is under preparation by the General Statistics Office. The availability of public information is improving, as exemplified by the government's publication of the 1999 National Budget for the first time. The National Assembly has become more focused on questions related to the utilization of ODA, and has commissioned its own assessments of ODA efficiency and effectiveness. The survey shows 86% of respondents perceived that ODA effectiveness had improved in the past three years. Most assessed the situation as "somewhat improved", while 12% of respondents cited major improvements.

18. A number of challenges remain. Some targets appear too ambitious. While the CPRGS has clear targets and benchmarks, it is based on projections of 7.5% annual GDP, which may no longer be realistic given the slowdown in the global and regional economies. Curiously, a

strong majority (70%) of expatriate respondents to the survey felt that Viet Nam's development targets in general were not easily monitorable, while in contrast, 86% of local respondents expressed the opposite view. Second, respondents agree that insufficient attention has been paid to improving program monitoring overall. Third, government agencies are still not always forthcoming in sharing planning and project documents. Institutional capacity is still a constraint to sustained performance, and there is a clear case for a more energetic approach to the reform of the civil service.

## **Lessons and Issues Emerging from the Study**

### **Planning**

19. Although there is a lengthy tradition of long-term planning in Vietnam, the mere existence of articulated strategies and visions does not in itself exemplify adherence to CDF principles. The *quality* of planning is the real issue, and this could be improved in several ways:

- Expressing political choices in unambiguous ways;
- Setting targets that are realistic and formulated to give clear policy direction;
- Explicitly linking sector reforms to the country's overall development objectives;
- Defining the relationship between long-term strategies, medium-term planning, and annual budget allocations

20. The critical gap in planning in Viet Nam now is the absence of a medium-term expenditure framework. This leads to discrepancies between overall vision and year-to-year spending: actual public investments do not necessarily reflect broad goals. The government's reports to CG meetings show little evidence of priority setting in the use of ODA—funding requests still appears to be based on wish lists rather than a set of clear choices between investments, sectors or geographical. The CPRGS may be able to fill this gap, but this depends on the status that the document is accorded within the national planning and budget system. The immediate challenge is to cost the CPRGS and ensure that it is organically linked to public investment decisions.

### **Country Ownership**

21. Despite widespread recognition of strong government ownership of policy and of the overall development process, both donors and government representatives expressed concern about the lack of government ownership of individual projects, particularly technical assistance projects, which both agree are often donor driven, with weak national ownership and commitment.

22. To some in government, ODA is still seen as a free good that augments starved budgets, regardless of whether a particular project's stated goals are met. There have been few cases where the government has actually refused a project and when this has happened, the cause has generally been political in nature. It is true that the government evinces strong resistance if donors are seen to be pushing particular policy reforms that are seen as inappropriate (as seen in the Health Sector cases), but respondents still perceive the

government as insufficiently disciplined in its management of prospective ODA. That said, the government genuinely welcomes, and has benefited from high quality capacity building and skills transfer. The government's overall strategic relationship with donors has also been well handled: ODA has been used to open the country to new international alliances as well as serve its practical needs. Viet Nam has encouraged better aid coordination at an operational level, but not at the expense of diversity in bilateral relations or of benefiting from a competition of ideas.

23. The government has mixed views about SWAps. There are clear advantages to basket funding and joint monitoring of an agreed sector strategy, but some ministry officials fear that SWAps could increase their burden if a large number of donors simply crowd into a sector without at the same time harmonizing or simplifying their procedures.

24. Inter-ministry communication in aid coordination also needs to be strengthened. The tendency for "silo" thinking and planning still exists, though this has been somewhat attenuated by the CPRGS process. While the MPI or the Ministry of Finance can grasp the benefits of greater coordination more readily, sector departments are likely to see greater value in dealing with a trusted, flexible long-time donor than in foregoing such support for a larger sectoral or national program. At the same time it was pointed out that donor agencies themselves, and specifically the World Bank, suffer from the same communication problems and silo thinking within their own institutions, and must get their own house in order as well if change is to be seen on the ground.

25. Strong ownership implies that civil servants have the time, resources, and skills to do their jobs well. Strengthening country ownership is thus intimately linked to good public administration, and to Viet Nam's ability to establish a more professional cadre of project managers (with remuneration commensurate with their responsibilities).

26. Increasing the country's reliance on national (as opposed to international) experts would strengthen local ownership. Most Vietnamese interviewed strongly criticized donor's extensive, almost instinctive use of foreign consultants. The common view was that donors underestimate national expertise and that foreign consultants lack the requisite understanding of local context and language that regularly results in poorly designed projects.

### **Country-Led Partnership**

27. The partnership mode of working generates many benefits, but also creates great demands on limited human and administrative resources, especially for smaller donors. On some policy issues, the government prefers to limit the number of dialogue partners (e.g. some donors feel that macro policy continues to be treated by the government as the exclusive domain of the IMF and the World Bank). By the same token, one of the implications of a partnership approach is that individual donors, particularly smaller ones, need to actively build expertise and be more selective in how they engage. Some bilaterals have begun this shift, (e.g. the Dutch who now focus on fewer areas but in return provide world class expertise and leadership in those areas).

28. Harmonization of procedures is extremely difficult in practice. While the benefits are obvious in terms of reduced transaction costs, many donors observed that changing procedures would require difficult decisions at the political/headquarters level, and even changes in national legislation. Such changes will take time if they do occur. One practical way forward, though, is for like-minded donors to harmonize as far as possible and/or to harmonize in clusters with lenders and grantors working separately.

29. Donors need to live up to their own advice to the government and develop longer horizons in their operations and their financial commitments. Frequent staff turnover is a major impediment to establishing strong partnerships, maintaining policy continuity and engaging in high quality development dialogue with the government. Donors are perceived as changing policies and preferences more rapidly than government, and suffering from the short attention spans associated with the rapid cycling of their staff and susceptibility to the latest development fad.

### **ODA Management and Implementation**

30. There are continuing concerns about aid efficiency in Viet Nam among domestic actors as well as donor representatives. The National Assembly has been debating problems of inefficiency, waste, and debt accumulation while donors have raised in CG meetings problems caused by slow disbursement, especially on large investment projects, the difficulty of mobilizing counterpart funds, the imperfections of government ownership in project identification and design, weak government administrative capacity and the over-centralization of government authority, and poor intra-government cooperation (studies analyzing implementation delays at the project level show that more than 50% of time lost can be attributed to the process of requiring approvals from various government agencies).

31. In order to shift from conditional lending to performance-based disbursement, the government and donors must develop mechanisms that measure and reward outputs. They need to agree on ways to link targets and concrete reform achievements, and to develop measures that are specific to geographical areas and social categories, and are not only based on national averages.

32. The expression of independent opinion is essential if accountability is to be enhanced. There has been progress toward achieving greater transparency through the wider sharing of information on national and local government budgets; the media, however, could take a more active role in overseeing ODA and examining its impact. To date it has focused mainly on the volume of aid flows rather than on the results achieved. Vietnamese representatives from civil society and NGOs transparency will be greatly served by making information on ODA available—in Vietnamese—to a broader range of local constituencies, not least to the various organizations of national independent experts. Non-government stakeholders also argued that donors should not give up their quality control function in the name of partnership – certainly not until government capacity, especially at provincial level, is firmly in place.

33. Finally, parallel systems of ODA management now need to be minimized. The government should ensure that ODA and domestic resources are being managed in the same way, and should revisit the role and regulations applicable to Project Management Units



(PMUs). Much of the capacity building for government staff, at least at an organizational level, now takes place in special aid-funded units, and this bypasses key ministries and state structures. Such provisions sit ill with the CDF approach and should be set aside as soon as possible.

### Summary Tables: Main Lessons and Recommendations

Key CDF objectives	Lessons	Recommendations
<p><b><i>CDF principle: Long-term, holistic development framework</i></b></p> <p><b>Formulate long-term visions</b></p> <p><b>Ensure balanced approach to development</b></p>	<p>Pace, content and sequence of reform dictated by strong country ownership not aid conditionality. ODA a source of ideas and expertise on how to implement specific reforms.</p> <p>Planning process becoming more inclusive. Recent efforts to consult widely outside the government structure.</p> <p>Strategies not yet linked to budgets and investment plans including ODA allocations.</p> <p>Learning by doing has been more important than long-term planning. Unpredictable external factors have been important drivers of change.</p>	<p>Focus more on shorter-term action oriented plans (1-3 years), linked to public investment and current expenditure planning processes.</p> <p>Articulate longer-term vision on the role and use of CPRGS.</p> <p>Adopt a more flexible approach to planning; both government and donors need to be more process oriented and adaptive.</p> <p>Build capacity for strategic analysis and planning to deal with uncertainties of global integration.</p> <p>Focus more on capacity building at all levels to improve quality of strategic planning.</p> <p>Make selection criteria for ODA financing clearer.</p>
<p><b><i>CDF principle: Country ownership</i></b></p> <p><b>National political processes determine goals and strategies</b></p> <p><b>Broad-based participation of domestic stakeholders</b></p>	<p>CDF has been localized and understood as a "new way of thinking and doing business" rather than an externally imposed framework.</p> <p>Strong government ownership at policy level, government now more proactive in ODA management. Still weak at project level especially for TA and sub-national projects.</p> <p>Improvement in consultation and ownership (especially of ODA) outside government in recent years.</p> <p>Ownership shouldn't be rushed to meet donor timetables.</p>	<p>Capacity building focus at provincial/local level. Improve mechanisms for effective use of national expertise. Public Administration reform is key to ownership.</p> <p>Enhance access to ODA information/official plans for greater transparency.</p> <p>Continue to enhance participation of non-State actors in planning process.</p> <p>Minimize differences in procedures between nationally and ODA funded projects. Revisit PMUs, eliminate parallel systems for ODA management.</p>

Key CDF objectives	Lessons	Recommendations
<p><b><i>CDF principle:</i></b> <b><i>Country-led partnership</i></b></p> <p><b>Government-led aid coordination</b></p> <p><b>Building trust</b></p>	<p>Significant progress-marked improvement in information sharing, open dialogue, transparency. Climate of cooperation in CGs and Sector working groups (SWGs). Move to sectoral approaches and basket funding.</p> <p>Partnership also has staff and opportunity costs. SWGs need to evolve from information sharing to joint action.</p> <p>CPRGS possible centerpiece of ODA-donors pledge alignment. Increased effort devoted to harmonization and reducing transaction costs issues, but, benefits not yet accrued to government.</p> <p>Partnerships at the operational/sub-national level much less developed. Need to reduce parallel procedures for ODA management/reliance on PMUs.</p>	<p>Partnership groups move along spectrum from information sharing to focus on outcomes. Donor delegation of authority can facilitate partnership.</p> <p>Harmonization: GoV to take a stronger lead in project identification and design. GoV to align national project management procedures to international standards. Donors to standardize ODA reporting\procedural requirements.</p> <p>Individual donors to specialize and work in fewer sectors. Increase co-financing/basket funding.</p> <p>Trust is critical: Donors: staff competence, long-term use of “true experts,” communication, dissemination of information (in Vietnamese). Government: staff compensation, competencies, information sharing, long-term staff; language skills.</p>
<p><b><i>CDF principle:</i></b> <b><i>Results orientation</i></b></p> <p><b>Setting result-based targets</b></p> <p><b>Strengthen accountability mechanisms</b></p>	<p>International targets &amp; indicators have been localized (MDGs/CPRGS). Need to maintain focus on medium-term, attainable, and monitorable targets.</p> <p>Many targets are set in a way that makes it difficult to achieve institutional accountability.</p>	<p>Link CPRGS objectives to public investment budgeting process. Strengthen monitoring of ODA efficiency and effectiveness. Develop targets that better facilitate institutional accountability.</p> <p>Improve project monitoring and evaluation capacity for all public sector investments, not just ODA.</p>

# 1. Why Study CDF In Viet Nam?

## Background and Methodology

1.1 The Comprehensive Development Framework (CDF) concept was first articulated by the World Bank president in January 1999. It reflects experiences of aid effectiveness since the advent of official development assistance (ODA) some 50 years ago, and formulates a set of general principles for effective utilization of ODA. As articulated by the World Bank the four principles are:

- Long-term, Holistic Development Framework
- Country Ownership
- Country-led Partnership
- Results Orientation

1.2 This study is one of six country cases conducted as part of a multi-stakeholder evaluation of implementation of the CDF. The report presents the findings of an international team tasked with the challenge, firstly, to assess to what extent development in Viet Nam,<sup>1</sup> and ODA in particular, is managed in accordance with the CDF principles, and secondly, whether pursuing the CDF principles made a difference in the quality of aid on the ground.

1.3 This study seeks to document and assess *processes* of change corresponding to the CDF principles, with a main focus on the period after 1998, (while acknowledging the importance of the historical background). The team pursued this inquiry through informal interviews with some 70 agencies and organizations. These stakeholders include people involved in development work from the policy level down to implementation of projects, and represent national and local government, donor agencies, non-state actors (i.e. mass organizations, private sector, NGOs), and international NGOs.

1.4 The study also included a questionnaire survey focusing on perceptions of change with respect to CDF principles; 107 people responded, of whom three-fourths were Vietnamese from government and non-state agencies and one-fourth was expatriates from donor agencies and international NGOs. In addition, information was obtained through participation in two CG meetings and key workshops, and review of relevant reports. The team also selected four cases for more in-depth examination of the various challenges involved in promoting CDF. These include: (I) public administration reform; (II) aid coordination in Ho Chi Minh City; (III) aid relations in the health sector; and (IV) state enterprise reform.

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<sup>1</sup> In this report we use the official spelling convention for the name of the country – Viet Nam, e.g. as used by the UN – the “Socialist Republic of Viet Nam”.

## How To Understand CDF: Two Perspectives

1.5 A central hypothesis of the CDF is that the effectiveness of aid depends on the general framework in any country for government-led development. While the substance of development policy matters, of course, aid should contribute to the formation of a strong, development-oriented, and accountable state, if it is to have a lasting effect. In fact, ODA itself can sometimes undermine the very national development framework it depends on to have impact. While the CDF principles themselves do not represent anything new, there is value added to the development debate in the way CDF *combines principles and focuses on the need to change the aid relationship* – “changing the way we do business” as it is often expressed.

1.6 CDF, therefore, is addressed to both recipient governments and donors. It is not a prescription of the “right” policy for developing countries. Rather, its implication is that both parties in the aid relationship need to build an effective framework for development – for *making* and *implementing* good policy. Broadly speaking, the CDF initiative seeks to influence two key types of processes in countries that are major recipients of development assistance, namely:

- processes for *improving the framework of country government-led development planning and implementation*, and
- processes for *improving aid relationships*.

1.7 The CDF principles dealing with long-term, holistic development framework and results orientation relate to the first type, and the message is directed first and foremost to governments, but entails commitments on the part of donors to align their aid with an improved development framework. The CDF principles dealing with ownership and partnership relate to the second type, and articulate challenges to both recipient governments and agencies and donors on how to define their mutual roles.

1.8 In summary, the four CDF principles contain the following messages to *national governments*:

- Governments need to develop a long-term, holistic vision for their work.
- Governments need to promote broad-based national ownership of visions, strategies, and policies, through participatory and democratic political processes.
- Governments need to stimulate effective partnership among various stakeholders in the development process, through government-led aid coordination and enhanced consultation and transparency in the cooperation with other national stakeholders.
- Governments need to be more results oriented. To be held accountable to development results, governments need to improve their monitoring of development outcomes.

1.9 The complementary messages to the *donor community*, as contributors to development, include:

- Donors need to be less intrusive and more sensitive to local conditions to stimulate full national ownership of development processes.
- Donors need to lower their own flags and subordinate their respective aid programs to country-led aid coordination mechanisms.
- Donors need to make longer-term commitments, allowing greater flexibility in the pace and direction of utilization of aid.
- Donors need to shift their focus from disbursement targets to results. To ensure public accountability for aid, donors need to promote transparency and accountability in activities they are supporting.

1.10 This study attempts to answer the question: To what extent does development in Viet Nam in recent years reflect these messages, whether influenced by the CDF initiative or not?

### *A Special Case for CDF*

1.11 Viet Nam has a number of unique characteristics that need to be taken into account in analyzing and interpreting the application of CDF principles during the past three years. It represents a development success story, with high levels of growth and substantial reductions in poverty in the last decade. ODA has contributed to this process and aid effectiveness is generally considered high. The preconditions for CDF are particularly favorable, compared with most developing countries. The most important factors include the following:

- *Viet Nam has a long tradition of long-term planning.* Policy decisionmaking and planning systems represent continuity of structures going back to the 1945 Revolution. There is an established system of 10-year national strategies and 5-year plans. However, government agencies typically focus on short-term resource allocation and output targets.
- *Viet Nam has a long-standing commitment to poverty reduction and a track record of success.* There is continuity from past socialist policies to the current unequivocal commitment by the party and government toward broad-based economic growth and poverty reduction, and the Millennium Development Goals (MDG) endorsed by the UN.
- *Viet Nam has a long history of receiving development assistance, although OECD countries and IFIs (ADB, IMF and WB) only resumed ODA in the early 1990s.* Viet Nam's long history of ODA from the former COMECON countries stopped in the late 1980s. Today, Vietnam is the second largest current IDA borrower and Japan is its largest single donor. ODA inflows increased substantially during the later part of the 1990s and are now around the mid-range of comparable countries on a per capita basis and as a ratio of GDP.
- *Viet Nam has not been subject to major aid conditionality in recent decades.* Viet Nam's decisions to reform – *doi moi* – have been driven by domestic pressures for change, but were also influenced by external factors, especially the changes in former USSR and economies in the region. ODA has, however, played an

important role in the reform process as a source of ideas, knowledge, and resources for capacity building.

- *Viet Nam has been remarkably successful in opening its economy.* From a closed economy, the ratios of foreign direct investment (FDI) and exports to GDP have increased rapidly and are now high by international standards. This makes Viet Nam less dependent on ODA, and provides donors less financial leverage than in more aid dependent countries. Viet Nam has signed many bilateral trade agreements, is a member of the Asian Free Trade Association (AFTA), and is seeking WTO membership. These negotiations have also helped push forward the reform agenda.

1.12 Despite commitment to major reforms, the pace of reform is often slow. This partly reflects the challenges in reconciling commitments to a socialist society with market-oriented reforms. While the main development goals are shared with the donor agencies, there is at times major disagreement on the means by which to get there. Viet Nam's transition is still in a formative stage. ODA is being implemented within the context of national political processes of both consensus building and conflicting interests. Donors appear to have come a long way in accepting such ambiguities, and have adjusted their role to the national commitment to a "step-by-step" approach to reform. One acid test of partnership is what happens when two parties disagree –how do they maintain both integrity and good relations?

1.13 On the face of it, one may be tempted to simply conclude that Viet Nam is a successful embodiment of CDF principles. The country has made impressive strides forward in economic development and the CDF principles resonate well with the concerns of the political leadership in Viet Nam. But below this level of correlation, however, there are strong concerns about the efficiency and effectiveness of aid; will Viet Nam avoid problems of aid dependency, unsustainable foreign debt, overlapping investments and waste, poor management and corruption, and the lack of maintenance of public investments that have become endemic in many developing countries? CDF could be seen as a means to avoid this by emphasizing the need to change the nature of the aid relationship and for improving the national framework for managing ODA.

### **CDF: A Response to which Problems?**

1.14 The World Bank report *Assessing Aid* (World Bank 1998) concludes that aid is most effective where economic policies are supportive of growth.<sup>2</sup> It uses Viet Nam as an example to illustrate this. The rapid growth of the Vietnamese economy (at about 7% annually between 1995 and 2000) and concomitant reduction in poverty<sup>3</sup> is indeed evidence of a development success story. Shifts in the composition of foreign exchange inflows is a measure of the dynamics of growth, and Figure 1 below shows that in

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<sup>2</sup> Cf. Collier, Paul (1999) "Aid 'Dependency': a Critique". *Journal of African Economies*, Vol.8, No.4; and World Bank (1998) *Assessing Aid: What Works, What Doesn't, and Why*, Policy Research Report, Washington, D.C.: World Bank.

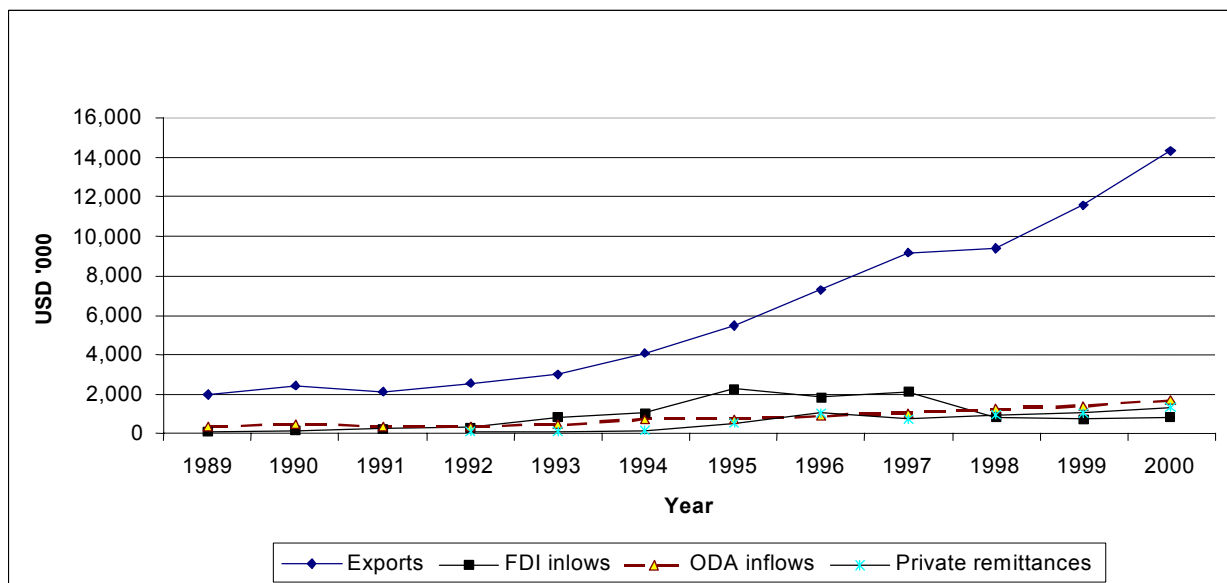
<sup>3</sup> From 30% of households living in poverty in 1990 to 11% in 2000 according to a MPI Paper presented to the 2001 CG meeting.

financial terms the role of ODA has been modest, whilst export revenues are the most important source and FDI the second. Studies show that two important contributions of ODA have been:

- ODA represents an important source of ideas and knowledge in the policy reform process;
- The presence of ODA agencies has helped to promote Viet Nam as a country to invest in.

1.15 What *Assessing Aid* does not discuss is the effectiveness of particular aid-financed projects and programs. They may well be inefficient or ineffective despite a supportive policy environment, and this has been a recurrent concern among donors to Viet Nam. The donor community, in recent years, has raised two types of concerns on the role of ODA. Firstly, they have been seeking an improved framework for deepening the policy dialogue with government on major reforms needed to sustain the trend in poverty reduction – what has sometimes been referred to as the second generation of reforms. And secondly, there has been a growing concern with the efficiency and cost-effectiveness of the aid.

**Figure 1: Selected Sources of Foreign Exchange Inflows (1989-2001)**



1.16 At the 1997 Consultative Group (CG) meeting the chairman, the World Bank country director for Viet Nam, stressed that internal factors leading to a loss of development momentum were of even greater concern than the external threats from the Asian crisis, concluding that: “There is now wide recognition that the economic reforms that have led to such progress over the past decade have run their course, and that if

Vietnam is to reach its ambitious development goals, a ‘second generation’ of policy change is needed.”<sup>4</sup>

1.17 The government, represented by Deputy Prime Minister Nguyen Manh Cam, presented a six-point reform agenda as a platform for ODA support. Even though the minutes of the meeting confirm the intent of the donors to realign their assistance along the lines of this agenda, it is evident from the interventions of various donor representatives that they felt like observers rather than partners to this reform process. Donor delegates voiced a number of concerns of aid efficiency and effectiveness:

- Slow disbursement, especially on large investment projects and loan projects;
- Problems of mobilizing counter-part funds;
- Lack of priority to social sectors, with ODA falling short of targets;
- Insufficient information sharing between government and donors;
- Lack of government ownership in project identification and design;
- Need for greater flexibility in adjusting plans and agreements to changing realities
- Weak development administration capacity especially in preparation and procurement;
- Over-centralization of authority;
- Need for more transparent budget mechanisms to better align policy choices and investment programs, including ODA;
- More selective and efficient use of international consultants;
- Need for the government to take the lead on donor coordination.
- Inadequate accountability and contract enforcement to meet the requirements of economic cooperation.

1.18 Many changes took place between this CG meeting and one attended by the evaluation team in December 2001 in Hanoi. There was a noticeable change in the ambience of the meeting, and donors and government alike concur that an unspoken “code of conduct” had developed around principles of partnership and cooperation. The six points agenda was no longer a reference point, as it had been overtaken by several concrete reform processes (trade liberalization, banking reform, the new Enterprise Law for private sector development, state-owned enterprise reform, public expenditure management, and public administration reform) and the work on a Comprehensive Poverty Reduction and Growth Strategy (CPRGS), which was Viet Nam’s response to the requirement by the World Bank and IMF for a PRSP.

1.19 Clearly, there have been substantial advancements in the framework for policy dialogue since 1997, with discussions being more focused and more open. Donors feel more involved, express confidence in the architecture and ambitions of the reforms, and expect the CPRGS to serve as the common framework for donor assistance.

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<sup>4</sup> Consultative Group Meeting for Vietnam (1997), ‘Chairman’s Report,’ Tokyo, December 11-12.



## Outline of the Report

1.20 This report is organized along the two broad perspectives indicated above; how the CDF relates to the national system for development planning and implementation and the extent to which it can promote a more inclusive and results-oriented development process. Chapter 3 discusses changes in the way government and donors collaborate and is concerned mainly with the CDF principles regarding “ownership” and “partnership.” Chapter 4 summarizes the main progress and lessons in Viet Nam with respect to the CDF principles.

1.21 Finally, a word of reservation is warranted. This study does not attempt to establish attribution or a direct causal relationship between the CDF and changes in development processes, and even less so between the CDF and development outcomes. There are two main reasons for this. Firstly, the CDF was only introduced in 1999 and was never promoted in Viet Nam as an explicit framework of actions. The CDF principles had already influenced development processes for some time. Hence, it is not meaningful to talk about pre- and post-CDF periods. Secondly, the period is very short, and even if the CDF concept did inspire a turnaround in the nature of the aid business in Viet Nam, it would still be very early to measure any sustained effects of the World Bank initiative *per se*.

## 2. Improving Aid Effectiveness: Is a New Framework for Development Management Emerging?

### A Perception of Major Change

2.1 This chapter focuses on the elements of the CDF that address planned development in Viet Nam—i.e. the framework controlled and managed by the Party and the government for formulating and implementing policies and plans. It involves the need for *long-term, holistic visions, participation of national stakeholders, and accountability for results*.

2.2 The perspective of the World Bank, as presented to the December 2001 CG Meeting, is that in order for Viet Nam to achieve its ambitious social and economic goals it needed to “implement its policy agenda rigorously, and change its behavior and image as a country where decisions are made in a slow and sometimes insufficiently transparent manner, toward a country with a more modern administrative and governance structure.”<sup>5</sup>

2.3 Although Viet Nam long espoused central planning, which indeed involved long-term visions and a political structure with a high degree of popular mobilization there was also a need for “modernization” to improve the efficiency of aid as well as other public investments. The CDF approach envisaged processes of:

- More holistic and strategic planning, which balances social and economic considerations and reflects regional and global challenges and opportunities for Viet Nam;
- Greater focus on results and quality of public investments and policies, with more transparency and accountability in public administration;
- Involvement of a broader range of stakeholders in development planning.

2.4 The survey conducted for this evaluation (see page 1, methodology) showed improvements in the planning framework but less progress on results orientation. Nearly 100% of respondents said that Viet Nam has experienced major adjustments in long-term strategies since 1998. This reflects a general perception that Viet Nam is undergoing a dynamic reform process. In response to more specific questions about the nature and quality of the new policy framework and long-term plans:

- 86% of local respondents say that objectives are more realistic, while 16% of expatriate respondents concur with this. Similarly, 70% of locals think that plans are more holistic and balanced, while expatriates are less positive (36%).
- Locals and expatriates also have opposing views on whether targets are realistic and monitorable; 86% of locals say yes, while 70% of expatriates say no.

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<sup>5</sup> World Bank (2001), *Vietnam Development Report 2002. Implementing Reforms for Faster Growth and Poverty Reduction*, prepared for the CG Meeting, Hanoi, December 7-8, p.i.

- Looking at the project cycle, the dominant view is efforts have been directed primarily at the policy level, with less attention to improving monitoring. Eighty-two percent of respondents said there has been little or no improvement in methods for assessing ODA efficiency.
- There is improvement in ODA efficiency, but only 12% rate improvement as “considerable.”

2.5 The following section looks more closely at various initiatives to improve strategic planning, link strategies and investments in a better way, decentralize development management, enhance popular involvement, and reform public administration.

#### **Box 1: What is Results Orientation?**

Results orientation is more than measuring development outcomes and producing statistics. Equally important is how such information filters into the political debate and becomes part of knowledge management and a culture of learning within public institutions. Results orientation, therefore, involves:

- Mechanisms for tracking development results, and the quality of statistics and analyses.
- The process of establishing official development targets.
- How information on project outcomes and development results is disseminated and used in political processes.

### **Long-Term Planning: From Central to Strategic**

2.6 Comprehensive five-year plans for socioeconomic development have been prepared for many years in Vietnam.<sup>6</sup> The Communist Party has played a leading role in approving major policy directions for these plans at National Party Congresses (held every five years since reunification). In addition, 10-year socioeconomic development strategies were prepared for the periods 1991-2000 and 2001-2010. The later strategy was prepared within the context of a longer-term vision for development to the year 2020. The government is responsible for drafting medium-term plans and for preparing detailed annual expenditure plans for approval by the National Assembly. The Party and National Assembly circulate drafts of the five-year plans nationally for comment prior to consideration.

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<sup>6</sup> Following reunification the 2nd five-year plan was approved by the 4th Party Congress in December 1976; with subsequent five-year plans approved by Party Congresses in March 1982, December 1986, June 1991, June 1996, and April 2001.

### **Box 2: The Five-Year Plan 2001-2005: What's the Message?**

Besides a series of very general development objectives relating to sustainable growth, improved living standards, and political stability, the plan contains the following important policy statements about means to achieve this:

- Develop a “socialist-oriented market economic mechanism,” with the state sector still being the driving force;
- Join the global market under the WTO framework;
- Create more favorable conditions for attracting foreign direct investments, including an equal environment for the domestic and foreign private sector;
- Intensify public administration reform and combat corruption;
- In view of the global economic slow-down, stimulate mobilization of domestic capital

2.7 The National Assembly is playing an increasingly active role in reviewing strategies and budgets, but is constrained in these efforts by limited capacity for independent policy analysis and formulation. Nevertheless, the November-December 1999 National Assembly session raised important, and widely publicized, questions about the efficiency of foreign aid, especially in supporting public administration reform and infrastructure projects. Concerns were also expressed about the high costs of some projects because of tied procurement, and the implications of the increasing ODA program on the national debt.

2.8 Domestic and foreign experts were asked to comment on drafts of both 10-year strategies, but there was more extensive consultation and public debate while preparing the most recent strategy. Sida played a leading role in providing international comment on the 1991-2000 strategy, while UNDP organized roundtables and a partnership group and played a leading role in coordinating international comments on the 2001-2010 strategy. During preparation of the last 5-year plan (2001-2005), drafts were widely circulated, with extensive coverage of issues reported in the media.

2.9 Nonetheless, it is not always easy to identify unambiguous statements of policy directions from national plans or minutes of the National Assembly. Of particular concern is the (very) weak link between medium-term strategies and public expenditure. It should be noted, however, that even prior to the announcement of the *doi moi* in late 1986, the central government did not exercise the degree of control over resources exercised by other communist governments in Eastern Europe or China. Subsequently, Viet Nam has been moving toward a more market-based allocation of resources, which creates new challenges for medium-term public investment planning.

2.10 These factors notwithstanding, there is considerable scope for improvement. The Government prepared a Public Investment Plan (PIP) for the period 1996-2000, as was required under a World Bank Structural Adjustment Credit, but there is little evidence that it was used to plan or monitor public expenditures. The government prepares substantive reports on socioeconomic development issues for all CG meetings,

accompanied by a list of projects for ODA support. However, these projects are not well prioritized or linked to the government's strategies and development plans.<sup>7</sup>

2.11 A draft outline of a public investment plan for the period 2001-2005 was presented to the 2001 CG meeting, and donors asked that the draft be strengthened in the following ways (a) improving links between the PIP and poverty reduction strategies; (b) better targeting of less developed areas; (c) assessing the recurrent expenditure implications of the PIP; and (d) more clearly distinguishing between public and private sector roles.

**Box 3: Vietnam has Prepared the Following 10-Year Sector Strategies for the Period 2001 - 2010:**

- Health Care Services Development Strategy
- National Strategy on Rural Water Supply and Sanitation
- National Strategy on Reproductive Health
- National Nutrition Strategy
- National Action Plan for Children
- National Master Plan on Public Administration Reform

**Linking Strategies and Investments: What will the PRSP-Process Bring?**

*From Two Tracks to One?*

2.12 The work of developing a poverty reduction strategy for Viet Nam represents the coalescence of two independent processes, one national, and the other international. The national process has focused on a targeted approach with special programs designated for disadvantaged areas and poorer households. In 1999, the prime minister approved Program 135, which targeted 1,715 such underprivileged communes and began implementing this program with its own resources. The Hunger Eradication and Poverty Reduction (HEPR) program, formulated by MPI and MOLISA, represents the government's targeted poverty reduction strategy for the period 2001-2010.

2.13 The international process, on the other hand, emphasized a comprehensive vision, linking the macroeconomic framework with poverty reduction activities, as advocated in the Poverty Reduction Strategy Paper (PRSP) initiative of the World Bank and IMF. The government ultimately produced a Comprehensive Poverty Reduction and Growth Strategy (CPRGS) in an attempt to merge the two processes. There was the expectation

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<sup>7</sup> E.g., the 2001 report focuses on poverty reduction in the main text, but this is not reflected in the list of projects for ODA funding. The list of TA projects appear to be quite random: the first project being to develop capacity in underground construction technology, the second to develop capacity in price and market information technology; the third to develop a driver examination facility; and the last (67<sup>th</sup>) project being to support the Hanoi software technology center.

that the CPRGS would become Vietnam's medium-term planning framework, linking the goals of the 10-year strategy to actual public investments.

2.14 To get from a two-track to a single-track approach was a complicated process spanning a period of about three years. The first initiative—a Vietnam Living Standard Survey (1992-93)—was largely World Bank driven and involved only a small circle of donor agencies. The second survey, in 1998, involved a much wider group of government agencies, donors and NGOs. This initiative evolved into the establishment of the Poverty Working Group (PWG) in 1999 comprised of eight government agencies, four PPA (Participatory Poverty Assessment) partners, and four donors. The Poverty Working Group produced the report “*Vietnam: Attacking Poverty*” that was jointly presented to the 1999 CG meeting. This report was well received and as a result, the government requested development partners to assist them in formulating a “comprehensive” poverty reduction strategy.

2.15 The preparation process for what was later to be called the CPRGS began with a retreat jointly organized by MOLISA and the World Bank and held in Sa Pa in July 2000. A wide range of stakeholders were involved, including representatives of fifteen government ministries and agencies, five mass organizations and research institutions, ten donors, and four international and three local NGOs. The participants discussed a wide range of sectors and poverty related issues covering topics from agriculture to ethnic minorities. The outcome was a draft policy matrix featuring issues, goals and constraints, and with a set of necessary policies and actions. Drafts were shared with some NGOs, who sent comments back to the drafting team. In addition, MOLISA and the World Bank organized three more (regional) workshops – in Hanoi, Ho Chi Minh City, and Hue – to discuss the draft matrix/poverty strategy with concerned stakeholders. Finally, the country's poverty strategy was “localized” as the Comprehensive Poverty Reduction and Growth Strategy (CPRGS) and incorporated into the 10-Year Strategy for Socio-economic Development (2001-2010) and presented to the 2000 CG meeting.

2.16 At the same time, the government was negotiating a joint credit with the World Bank and IMF (SACII/ PRGF) and faced the requirement to produce an I-PRSP. In July 2000, the government decided to go forward with the loan and assigned MPI to draft the I-PRSP using the same “data and resources” as the CPRGS but with a focus on the macroeconomic framework. This paper was also presented to the 2000 CG Meeting, and in April 2001, the credit was approved.

2.17 The government initially regarded the I-PRSP as a parallel exercise distinct from its own national poverty strategy. For instance, during the Sa Pa workshop in July 2000, when donors were still enthusiastic about the success of *Attacking Poverty*, government participants expressed confusion over the difference between the CPRGS and I-PRSP. At that time Vietnamese officials regarded poverty reduction as a national and political matter, which the government had long been committed to with its own strategies and programs.

### *What's in the CPRGS?*

2.18 There has been a constructive process between government and the donors, the World Bank in particular, to arrive at a common understanding of the purpose of a I-PRSP/PRSP in Viet Nam, with the following results:

- Donors appreciate that the 10-Year Strategy is the long-term vision for Viet Nam, and that a PRSP should not be construed as an alternative or competing document.
- Government's decision to involve donors in commenting on the 10-Year Strategy greatly contributed to this understanding.
- CPRGS is Vietnam's PRSP and according to MPI, it shall become "the action plan for poverty reduction and economic growth."<sup>8</sup> There is a shared understanding of CPRGS as a medium-term planning framework.
- In particular, CPRGS "provides guidance to the donor community on their assistance"<sup>9</sup> and is an instrument for better aligning ODA with overall national policies and priorities.

2.19 MPI was the lead ministry in the drafting process, assisted by a 50-member team drawn from different ministries. It now regards CPRGS as a document "wholly written by the Vietnamese government with broad-based consultation, reflecting the government's strong ownership."<sup>10</sup> In January 2002, there was a public consultation with 1,200 households in six villages. International NGOs managed this process, which included villages involved in the 1999 Participatory Poverty Assessment.

2.20 The need to take a *holistic* approach to poverty reduction strategy is now well understood by many government officials, and this is regarded as one of the major achievements of the Poverty Task Force/Poverty Working Group (PWG). It is important to note that the PWG was considered one of the most successful partnership groups in the country. It invested considerable time and resources in creating a shared understanding about the causes of poverty in Vietnam and the best strategies (among alternatives), to address it. The process involved a series of meetings and workshops and was aided by analytical inputs throughout.

2.21 The final draft of the CPRGS was to include the following targets;

- Promote a high and sustainable rate of economic growth in tandem with social progress and equality.
- Create a fair and equitable business environment including equal access to public services and to business investment opportunities.
- Continue structural reforms with stronger emphasis on restructuring the economy.

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<sup>8</sup> MPI (2001), 'Progress report on preparing the Comprehensive Poverty Reduction and Growth Strategy Paper,' presented to the CG Meeting December 2001.

<sup>9</sup> Op.cit.

<sup>10</sup> Dr. Cao Viet Sinh, 'Preparation process of the comprehensive poverty reduction and growth strategy paper and related issues,' presentation at a regional workshop on poverty reduction strategy, December 2001.

- Ensure macroeconomic stability through prudent fiscal and monetary policies.
- Create opportunities for poor households by increasing the rate of development in agriculture, industry, and services.
- Develop and expand the social protection and social welfare network for the poor.
- Promote public administration reform, ensure social equality, and enforce the Grassroots Democracy Decree.
- Establish a system to monitor development and poverty indicators.

### ***Will CPRGS Meet Expectations?***

2.22 Since the Board of the World Bank recently approved a PRSC loan on the basis of the Interim-PRSP, Viet Nam does not face the same pressures to complete the full PRSP (CPRGS) compared with most other countries. Surprisingly, therefore, the self-imposed timetable for popular consultations and finalizing the CPRGS was still very tight. There were some initial concerns, voiced on both sides, that in the end, the CPRGS document might serve no other purpose than compliance with a World Bank and IMF requirement. At the time of this report, it is not certain whether the CPRGS has an “expiry date” or, as hoped, it will become the framework for an ongoing, rolling planning process. Some donors expressed more hope than others (e.g. Japanese observers interviewed were more skeptical than their Western counterparts). Other uncertainties about CPRGS implementation include:

- *The ability of MPI to enforce better collaboration between sector ministries and agencies.* While MPI is a logical agency to formulate the CPRGS, it lacks the coordination and monitoring mechanisms required to oversee its implementation. However, many external agencies became involved in drafting the CPRGS.
- *The status of the CPRGS in the formal hierarchy of national strategies and plan.* This has not yet been established.
- *The willingness of donors to subordinate their respective assistance strategies to a country-led framework.* Many donors, however, have said they will do this.
- *The willingness of donors to “move to the back seat” and be less proactive in policy development processes.* The push for new policy initiatives from the donor community may deter rather than promote national ownership, as illustrated by the case of the state enterprise reform (Case IV).

### **Broadening Participation in ODA: Involving Non-State Actors**

#### ***Slowly Opening Up***

2.23 The relationship between the government and non-state actors (see box 3 below) has improved moderately since 1998 according to the survey and interviews. Eighty percent of respondents rated progress as “little” or “moderate,” 15 % said there had been “a lot” of improvement, with local respondents being slightly more positive (18 %) compared to expatriate respondents (only 7% said there had been a lot of change).

2.24 The current “partnership” approach has opened new avenues for INGO involvement in policy formulation, such as participation in the grassroots consultations



for the CPRGS and representation in the CG meetings, where they now have a permanent seat. “Before, we did not look around to see what others were doing, nor did many know about us. Now it is changed we now have, for example, more active roles and critical engagement in the Bank’s work than before,” one Vietnamese INGO worker commented.

2.25 Donors requested the government to broaden partnerships to include civil society and meet with representatives of mass organizations and local NGOs in conjunction with the CG meetings.<sup>11</sup> Such a meeting took place before the mid-term CG meeting in 2000, but has not been repeated later. In interviews, representatives of local NGOs said that their status remains weak and that government still regards local NGOs with some suspicion. “They think that NGO means ‘against the government,’” as one interviewee put it. Local NGO representatives also commented that it is often difficult to work with large donors like the World Bank “because of the differences in working conditions and staff capacity.”

2.26 One of the major achievements is the introduction of Decree 29/CP on the Regulation of the Exercise of Democracy in Communes (Grassroots Democracy Decree) in 1998. This decree established a legal framework for participation of citizens at commune level, including their right to monitor. Although the capacity of citizens to participate remains constrained, (for example, by their lack of awareness of rights and entitlements) the decree is viewed as a step toward enhancing transparency and accountability within local government agencies.

2.27 University professors and senior researchers often serve as advisors to government in policy formulation processes, (e.g. they were among the main drafters of Decree 17) and donors also rely on their views and knowledge. During a focus group meeting held with the evaluation team, leaders of the academic community proposed creating a more independent role for local experts in reviewing ODA planning and management. This would require the government to support greater transparency in the planning process, and remove the aura of secrecy around public information. Another complaint among this group was donors’ excessive and almost instinctive, reliance on short-term foreign consultants over Vietnamese professionals.

2.28 In terms of private sector involvement, there is a general perception of ODA as public sector business, and, at best, the private sector gets involved as a supplier. The WB/IFC sponsored the Vietnam Business Forum (formerly the Private Sector Forum), however, it holds sessions in connection with every CG Meeting, and has become an important part of the government’s effort to engage the business community in a policy dialogue. Private sector representatives stressed the need for modernizing the government’s traditional planning system, especially related to (a) feasibility studies and (b) tendering. They also recommended that government and donors utilize more independent local consultants in this work.

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<sup>11</sup> *Consultative Group Meeting for Vietnam (1999)*, ‘Chairman’s closing statement,’ page 5.

#### **Box 4: Who Are Non-State Actors?**

The terms ‘civil society’ and ‘non-governmental organization’ have yet to become household words in Viet Nam’s official political vocabulary. The conventional term is “non-state actors” meaning voluntary organizations and associations that are neither commercial nor part of the public administration. We can distinguish between six types:

*Mass organizations:* These are state-sponsored popular organizations linked to the Party, such as the Women’s Union, the Youth Union and the Farmer’s Union. They have representation in the National Assembly and People’s Councils.

*Professional associations:* These mostly organize people with higher education employed at universities, colleges, and research institutes.

*Social development and research organizations:* This is the closest we get to an NGO, in the absence of a legal framework for the registration of private organizations. Technically, these are registered as enterprises, the “business” of which is to provide social services and carry out surveys and other types of commissioned work. These organizations have been represented at the CG meeting since 2000.

*Community-based organizations (CBOs):* Viet Nam has a long tradition of organizing people for water use, savings and credit, etc. under agricultural cooperatives. Other community groups were under the mass organizations. With the promulgation of the 1997 Law on Co-operatives such groups have greater autonomy and many new CBOs have also emerged.

*Business associations:* These include Chambers of Commerce and various industrial branch organizations.

*International NGOs:* International NGOs have been treated as “development partners” by the government. The representatives of INGOs have been involved in Consultative Group meetings since 1995 as observers. As of 2001 there were an estimated 350 - 400 INGOs operating in Vietnam.

### **Case I: Public Administration Reform: A Prerequisite for Aid Efficiency**

#### ***The Problem***

2.29 Modernizing public administration is crucial to improving the efficiency of delivery of ODA resources to Viet Nam and to successful application of CDF principles. The government has repeatedly stated its concern about the slow pace of the public administration reform (PAR) program since the program was launched in 1995. “The lingering existence of inertia and habits from the centralized, subsidized bureaucratic system have taken deep roots in the thinking, working styles and practices of a section of cadres and civil servants.”<sup>12</sup> The Party, National Assembly, and donors have also

<sup>12</sup> GoV (2000), *The Master Program on PAR for the period 2001 – 2010*, p. 4.

expressed concerns about the speed of reform. The National Assembly has also raised concerns that significant allocations of ODA to support PAR had generated inadequate tangible results.

2.30 Although ODA suffers from bureaucratic inefficiency, many would argue that ODA is part of the problem as well. Many local observers believe it has contributed to higher levels of corruption and has in several ways “compensated” for reform by establishing special provisions for managers of ODA (e.g. special allowances and topping-up; extra incomes from travel, training courses, and consultancies; and PMUs). There are obviously vested interests in present aid arrangements that may be difficult to deal with in a PAR process.

### ***Achievements and Lessons Learned***

2.31 Partly in response to these concerns, a working group on public administration reform (WGPAR) was established in 1998. Its aim was to promote dialogue with the government on donor supported Public Administration Reform projects.<sup>13</sup> The WGPAR meets frequently, with substantive government participation. A review of public administration was completed in 2000 as a major input to the Government Master Program for PAR, which was approved by the prime minister in September 2001.<sup>14</sup> UNDP acted as coordinator of the working group, managing external technical and financial assistance for the review from ADB, Denmark, Sweden, Germany, and the Netherlands. The 2001 CG report noted that success “was not only influenced by the government’s own priorities and ownership but also by the strong partnership that has developed between the government and donors.”<sup>15</sup>

2.32 The master program on PAR provides visions for the period from 2001 to 2010 with action plans for (a) improving legal documents; (b) institutional reform; (iii) downsizing; (iv) personnel management and development; (v) salary reform; (vi) public financial management; and (vii) modernizing the administrative system. These action plans provide a framework for the government to coordinate external support for the program.

2.33 While the donors may have been the driving force behind the WGPAR and the public administration review, there was a high level of government participation in both processes. The original PAR was launched following a resolution of the 8<sup>th</sup> Plenum of the 7<sup>th</sup> Party Congress. The high priority given to PAR has been reinforced at the most recent Party Congress, in the current socioeconomic development strategy, and by recent sessions of the National Assembly. However, a number of interviewees also noted that many details remained to be resolved, and that the process of building support and broad ownership for specific reforms was often a time consuming process, which could slow pace of the program.

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<sup>13</sup> CG (2000), *Vietnam, Entering the 21<sup>st</sup> Century: Partnerships for Development*, p. 122.

<sup>14</sup> PM Decision No: 136/2001/QD-TTg (17/09/01).

<sup>15</sup> CG (2001), *Putting Partnerships to Work in Vietnam*, p. 67.

2.34 Many donors are under pressure from their constituencies to increase the share of their assistance being provided to governance activities, and therefore PAR is a high priority sector for many. The government has a clear commitment to PAR, and the National Assembly is pressuring the government to generate tangible outcomes. The net result is the existence of strong incentives on both sides for effective partnerships. While interviewees from the donor community had mixed views on optimal approaches to supporting PAR in Viet Nam, most saw the WGPARG as a positive example of an outcomes-oriented partnership group. The most commonly noted challenge with donor partnerships on PAR, and with the WGPARG in particular, was the wide diversity of international systems of public administration. The strong government involvement in PAR partnerships is seen as vital in deciding what advice and model is most appropriate for Vietnam.

2.35 A key element of the PAR program is the focus on results and accountability for results as illustrated by these extracts from the Master Program for PAR:

“Efforts will be made to eventually abolish the staff number-based budget allocation, and to adopt a mechanism for calculating budget requirements on the basis of outputs and quality of operations, ensure the monitoring of outputs, quality of targets and objectives of administrative organs, and reform the expenditure norms setting system to make sure that it will be simple and ensure the ownership of budget users.”<sup>16</sup>

“Auditing of administrative agencies and public service delivery entities will be reformed to enhance the sense of accountability for effective use of state budget resources and remove many of the existing focal points for the inspection, monitoring and auditing of administrative agencies and public service delivery entities. Democracy and transparency in the area of public finance will be exercised, hence all financial expenditures will be made public.”<sup>17</sup>

2.36 The seven action plans under the Master Program provide a greatly improved focus on the intended outcomes, and responsibilities for achieving these outcomes, but it is still too early to judge the impact of this more results-oriented planning. A number of interviewees raised concern about the capacity or authority of the main permanent coordinating agency, the Government Committee on Organization and Personnel (GCOP), to achieve the results specified in the program. Others noted that the high-level Steering Committee and commitment from the prime minister and Party would ensure effective monitoring. Public opinion is also expected to have an important impact on the success of administrative reform, and practical mechanisms still have to be developed to protect the rights of citizens in their dealings with the public administrative system.<sup>18</sup>

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<sup>16</sup> GoV (2000), *Master Program on PAR for the Period 2001 – 2010*, p. 15.

<sup>17</sup> GoV (2000), *Master Program on PAR for the Period 2001 – 2010*, p. 16.

<sup>18</sup> These last two points are also recognized in the Government Master Program for PAR (see p. 18).

## **Decentralization: Challenges in Managing Aid at Sub-National Levels**

### ***A New Framework for Local Autonomy***

2.37 Initial attempts at providing local authorities (and state enterprises) with greater financial autonomy were made in the late 1980s, but were subsequently reversed because of an inadequate regulatory framework and weaknesses in expenditure planning and accountability mechanisms. Now, a new regulatory framework and capacity at provincial and district levels are being developed, and the government has committed to decentralize more investment and expenditure decisions to the local level.<sup>19</sup> Government approved what is commonly called the Grassroots Democracy Decree in 1998 to increase community participation in development activities.<sup>20</sup> The decree provides for community participation through information sharing, consultation, and involvement in decision-making and in monitoring/supervision. The government's ten-year development strategy sees decentralization and community participation as a critical element of efforts to improve accountability for the use for public resources.

2.38 Financially, local governments have less autonomy. Public services are provided via a unified budgetary system with the National Assembly responsible for approving an annual budget for central, provincial, and district authorities.<sup>21</sup> Central authorities assign lower level authorities with the responsibility of providing specified public services. Sub-national authorities are accountable to both the central government and the elected People's Council at the relevant sub-national level for efficient provision of public services.<sup>22</sup> The center retains the power to approve regional, provincial, and sector-based development plans, but are required to consult with the People's Councils at the local level.

2.39 Provincial authorities have little tax raising power, but do have the power to raise revenues through fees, charges, and tolls, and to raise voluntary contributions to develop specific infrastructure or services. These voluntary contributions are particularly important at district and commune level. A large proportion of sub-national expenditure is used to pay salaries, thus limiting flexibility in spending on development activities. In practice, some of the better-off provinces are able to mobilize substantial additional funds, including from provincial state enterprises and land, to directly influence local development. The poorer provinces are dependent on central government transfers for most expenditure. About 43 percent of total budget expenditure was undertaken at the sub-national level in 1998.<sup>23</sup>

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<sup>19</sup> E.g. GoV (2001), 'Government Report to the CG Meeting 2001', p. 35.

<sup>20</sup> Decree 29-CP (April 1998), *Regulation of the Exercise of Democracy in Communes*.

<sup>21</sup> Under the "unified" structure of government, there are no local governments, but rather local administrations.

<sup>22</sup> This is commonly referred to as double subordination.

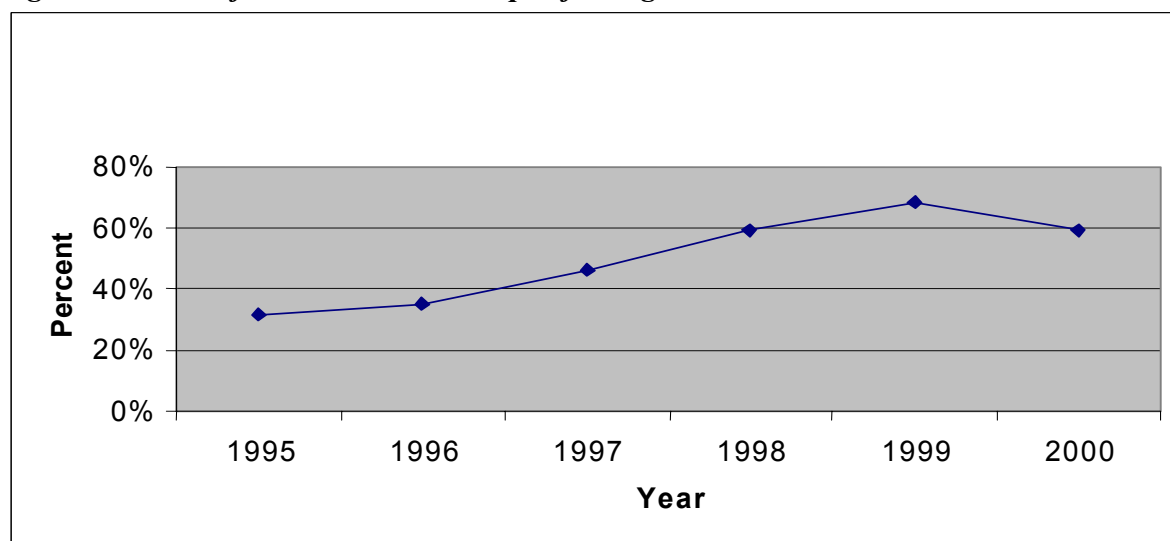
<sup>23</sup> GoV and Donor Working Group (2000), *Vietnam: Public Expenditure Review 2000*, p. 20.

2.40 Current efforts to promote decentralization to sub-national level agencies are viewed as consistent with CDF principles. It is assumed that decentralization and greater sub-national ownership would result in a greater focus on results and accountability, with closer proximity of decisionmakers to affected people. However, this is not automatic, as lessons from many countries have shown. Some observers warn against moving too quickly, and argue that donors should refrain from pushing too hard for quick results.

### ***ODA Still Centralized***

2.41 Direct involvement of sub-national agencies in ODA programming remains limited, and the only major exception is in the large urban centers – Hanoi, Da Nang and HCMC. UNDP estimates that the share of ODA allocated for specific regions and urban administrations has roughly doubled between 1995 and 2000 as shown in the following graph.<sup>24</sup> However, many donors seek to increase the share of disbursement made at the provincial level, and especially in the poorest provinces, and recently some provincial authorities have become involved in selected partnership groups (e.g., in the disaster mitigation and forestry partnership groups, cf. Chapter 3).

***Figure 2: Share of ODA Allocated to Specific Regions and Urban Authorities***



Source: Based on data in UNDP (2001), Overview of ODA in Viet Nam.

### ***Constraints and Challenges in Decentralization of ODA***

2.42 Most ODA funding at the provincial level is provided under the umbrella of national projects that are financing sub-projects in a number of provinces. Sub-projects must be approved at the national level after varying degrees of consultation with sub-national officials. While planning capacity is strong in some of the more developed sub-national agencies, it remains very weak in many of the rural provinces that have the highest proportions of people living in poverty. Most public expenditure at the sub-

<sup>24</sup> UNDP (2001), *Overview of Official Development Assistance: Vietnam*, Ha Noi, December.

national level continues to result from annual budgeting. There is a need to develop provincial planning capacity that will allow sub-national agencies to:

- Prepare clearly articulated visions for socioeconomic development at the sub-national level;
- Develop prioritized strategies for realizing these visions;
- Integrate these strategies into medium-term sub-national level public expenditure and investment plans; and
- Better address practical constraints to attracting the private investment needed to generate employment and incomes needed to reduce poverty.

2.43 Provincial planning authorities frequently noted that they lacked knowledge about how donors program resources and identify projects for financing. This was particularly true outside the major urban areas, where sub-national authorities had less frequent contact with donor agencies. To design ODA projects that better reflect local capacity and needs will require:

- Greater participation of sub-national agencies in donor programming and sector planning exercises. Given limited donor resources, donors will need to concentrate in specific areas and/or sectors;
- Increased use of national expertise in project formulation;
- Longer-term donor commitment to selected provinces in order to better understand needs, capacity, and constraints; and
- Use of phased approaches.

2.44 Since reunification, central government resource mobilization has remained low, and local authorities were encouraged to take the initiative in mobilizing local resources (often as labor) to implement priority development activities. Voluntary mobilization of resources was contingent on local stakeholders seeing the potential value of the development activity, thus increasing the ownership. Rapid increases in ODA from the center could reduce local incentives to mobilize development resources. There are examples (e.g., in Quang Nam Province) of rural roads planned for local funding being delayed when prospects of ODA funding came up. In order to reduce these risks, some decisions relating to the use of central transfers have been decentralized.

2.45 Decentralization is constrained by local capacity to manage the larger and more complex projects typically financed under ODA programs. Provincial authorities noted that their most substantive involvement is during the implementation stage. Provincial level project management units are generally established to facilitate implementation of sub-projects at the sub-national level. These units are accountable to both central agencies and the local administration. There were problems (especially in the earlier projects) in ensuring that ODA-financed project designs reflected local planning capacity, counterpart funding, and management. In many instances, donors had a poor understanding of local circumstances and institutional arrangements.

2.46 The decentralization of some decisions under Decree 17-CP is seen as further progress toward decentralization, but it is still too early to identify tangible examples of

the impact of this change. Increased capacity is essential to ensuring increased participation and ownership of ODA-financed development. This will require:

- Long-term programs of on-the job training;
- Longer-term consulting inputs at the provincial level;
- International scholarship programs that target students from provincial areas, and require them to return to work at the provincial level; and
- Increased transparency in local budgets, procurement, and project information systems.

2.47 Provincial and national authorities have demonstrated that they are prepared to be very flexible in terms of institutional arrangements in order to secure ODA-funded projects. In Quang Nam, an ADB-financed provincial roads development was being executed under the Ministry of Agriculture and Rural Development (and its provincial counterpart agency), whilst a World Bank funded communal roads project was being executed by the Ministry of Transport and Communications. Normally, responsibilities would have been reversed. While flexibility can be desirable, rearranging institutional responsibilities to accommodate project funding raises questions about where ownership rests.

2.48 Provincial authorities made a point of emphasizing their efforts to consult and work more closely with stakeholders. One example is the case of land clearance and resettlement for infrastructure projects where local governments realized that projects could be substantially delayed without appropriate consultation. There was strong emphasis (at least in the three provinces visited) on the need to focus on outcomes, particularly those results directly contributing to people's livelihoods.

2.49 Some discussants noted that in the past many local development initiatives were financed from local resources. Thus, there was a strong focus on results as those contributing resources had very strong incentives to hold local authorities accountable for effective use of these resources. However, the link between revenue and expenditure decisions is now weaker, which is probably unavoidable, but detracts from accountability and might further erode citizens' confidence in government. Provincial authorities noted strong community interest in the allocation and use of the increasing resources from ODA-funded projects but, given the early stages of most ODA-funded projects, it is not possible to assess whether an increased reliance on externally provided resources is affecting pressures for accountability.

## **Case II: ODA Coordination in Ho Chi Minh City: Challenges of How to Institutionalize Good Practice**

### ***Coping with a Sudden Flood of ODA***

2.50 From 1998, Ho Chi Minh City (HCMC) experienced an enormous growth in ODA, mainly in the areas of urban transport, environmental sanitation, and water supply. By the end of 1999, 23 donor agencies were involved with a total of 36 projects at different stages (from recently completed to formal preparation). By August 2001, the 19



largest projects amounted to a total planned expenditure of US\$2.1 billion of which 22% is local funding. Three of the projects are implemented by central government agencies (19% of total), the remaining are under the responsibility of the People's Committee of HCMC.

2.51 The challenges of managing this level of public sector investment and activity proved formidable. Planners and decisionmakers (both government and donor) admit they did not adequately foresee many of the constraints and that the absorption capacity required was not fully in place, even in Viet Nam's biggest city. The following problems surfaced, according to people interviewed:

***During Project Preparation:***

- Donors went about identifying investment needs and priorities in the absence of overall plans for the sectors. The People's Committee operates on the basis of a 5-year plan and yearly plans/budgets. A master plan was approved two years ago. It exists only in Vietnamese, and is very general and cannot be used to identify concrete ODA projects. JBIC has financed two sector master plans (water supply and waste water management, and traffic and transport) that have been used to identify ODA projects. A survey of existing projects in HCMC showed that donors had identified most of them, and that foreign consultants had done most of the feasibility studies with local consultants only providing data.
- There was a lack of participation from local stakeholders, including local authorities, local experts, and potentially affected populations.
- There was weak coordination of project initiatives, among donors as well as central government agencies.
- Many of the feasibility studies had to be modified and improved. Part of the problem was the quality itself, as foreign consultants did these with limited access to data and inadequate understanding of local conditions. Adding to this is the lack of harmonization between the government's and donors' requirements. The government's concept of a feasibility study is more like a project plan, requiring details in terms of costing and design not normally found in the studies commissioned by donor agencies.

***During project implementation:***

- There were delays in setting up Project Management Units because of manpower constraints and lack of counterpart funds. It proved difficult to get qualified people, even when salaries were being topped-up.
- There was inadequate attention to institutional development and local capacity building. Compounding this problem is the fact that a PMU can only be established after approval of the Feasibility Study, which makes it difficult to ensure that those who planned the project would also implement it.
- Land clearance has been a major delaying factor, especially with JBIC's projects. Resettlement planning needed to start earlier. The People's Committee is positive toward applying international standards and guidelines (like the World Bank's Operational Directive), but struggle with the capacity to implement.

- Coordination between government agencies is a major problem, especially the process of getting various approvals. In the East-West Highway Project (JBIC), the PMU calculated that **50 percent or more of the time loss was due to getting various approvals from other government agencies**. There is a lack of proper instructions on the approval mechanism. “It would have been better to send all documents to every relevant agency at the same time, rather than passing them around in sequence” offered one informant.

### ***The ODAP Initiative***

2.52 Spurred by the UN Global Habitat initiative for formulating city development strategies, and the increasingly complex situation for ODA in HCMC, the World Bank proposed (to the People’s Committee in early 1999) a new mechanism for a city-donor partnership. One consultant to the Official Development Assistance Partnership (ODAP) later commented:

“ODAP, we have to admit, was not a jointly conceived idea. It was the brainchild of the World Bank and in this sense was an unashamed single donor-driven initiative. The rush to bring the parties together and sign to the ODAP Memorandum of Understanding had the slight whiff of a shotgun wedding, but the subsequent gestation process and operational start-up was very much a family affair, with all partners directly and fully involved.”<sup>25</sup>

2.53 The first members of ODAP were the People’s Committee, Overseas Economic Cooperation Fund (OECF, now JBIC), World Bank, ADB, UNDP, and IFC. Later Belgium Technical Cooperation joined. The memorandum of understanding (MoU) outlines an ambitious mandate, which includes: (a) an overarching framework to identify priorities for donor support; (b) consensus on policy reform and operational issues; (c) facilitating project implementation; and (d) sharing relevant information. A separate office was established with local staff contracted through UNDP assisted by a part-time international consultant. The office is now located at the Department of Planning and Investment (DPI), which is the planning agency of the municipal government. The MoU identifies DPI as the “contact and coordinating point on behalf of the city, as is the ODAP Office on behalf of the donor partners.” There is no commitment to a specific time frame or process for transferring the ODAP Office to local government.

### ***Achievements and Lessons Learned***

2.54 Initially there were problems in cooperating with the People’s Committee. ODAP was seen as a representative of donors. DPI was skeptical and did not want to provide information on domestic projects and FDI. The attitude changed when DPI needed assistance to prepare a list of priority projects for ODA funding to MPI. It has taken time to develop the working relationship with DPI, both formally and informally. The sense of ownership in the People’s Committee has improved, and in the Steering Committee in

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<sup>25</sup> UN Vietnam (2000), ‘Giant Strides and Fairy Footsteps: the Official Development Assistance Partnership (ODAP), Ho Chi Minh City’, in *UN News Vietnam*, Volume 6, Number 3, p.1.

October 2001, a process of integrating ODAP with DPI was agreed. To prepare for this, DPI established its own ODA management office.

2.55 ODAP has mainly focused on the last two points of its mandate. While ODAP had ambitions to move into policy work, it turned out that the People's Council had no ownership of this concept. The ODAP Office decided to concentrate on information sharing and providing a forum for people involved in ODA management to meet and share experiences. The Office established a database of all ODA projects in the city and it issues a bimonthly newsletter. This is useful for agency headquarters and visiting missions. The work that is most appreciated locally, however, are the ODAP Workshops and the PMU Forum.

2.56 PMU officers interviewed appreciate the opportunity to share experiences with other PMU staff working with different donors. This sharing of experiences has revealed a high level of frustration in many PMUs. They complain that their authority is not clearly defined (the Circular 6 on Decree 17 is too general when defining the authority of PMUs), that they are squeezed between pressures and expectations from two sides, and that their capacity is weak and they lack back-up from high-level experts. In general they are opposed to the decision to merge the ODAP Office with DPI, being worried that DPI will not be able to keep up the same quality of service.

2.57 The World Bank Urban Upgrading Project now under preparation (with cofinancing from Belgium), introduces a new approach to several of the problems mentioned above. A local team will carry out the feasibility study and this will hopefully minimize the differences between the external and the internal feasibility studies. The project is also a pioneer in implementing the new guidelines on resettlement. This is also the first project to establish a Project Preparation Unit as allowed under the new Decree 17.

2.58 Several interviewees mentioned the ODAP Workshop on resettlement as a breakthrough. It resulted in a revised resettlement policy for the HCM city. On the part of the donors, there is now greater appreciation of the time and effort involved in resettling people, in view of capacity constraints, local procedures and the need to adhere to international standards. The workshop on Geographical Information Systems motivated the People's Committee to establish a unit responsible for harmonizing the six different GIS systems being used, a legacy of un-coordinated donor support.

2.59 ODAP has so far not succeeded in bringing information about ODA beyond the circles of those directly involved. A meeting with several representatives of the Union of Scientists, who have engaged actively in criticizing the plans of one of the canal upgrading projects, confirmed that they had no knowledge about ODAP. They complained about the problems of getting access to project documents. One representative suggested that the World Bank should add *transparency* as a fifth CDF principle, and argued that the most effective way to enhance ODA effectiveness and reduce corruption is to facilitate the involvement of independent local experts.

2.60 ODAP has been in operation for only two years, and the sustainability of this initiative and its successes was a concern of people interviewed from all sides in the partnership including ODAP as well as DPI staff; donor representatives; and PMU staff. The timetable for integrating the ODAP Office in DPI within a period of six months has been donor driven, and DPI expressed concerns over the feasibility of this. DPI has requested the People's Committee for a special allowance to retain the local staff now on UNDP contracts.

2.61 ODAP represents a classical dilemma in aid: the aid relationship generates requirements and needs that can only be met by the recipient, in the short-run, if the donor sponsors special arrangements. What is the best strategy to handle these arrangements in the long term? In the case of ODAP, one solution would be to separate the two functions: a city-donor partnership and a service-cum-information office for ODA projects. The first function would be owned and managed by the People's Committee, focusing on policy dialogue, project identification, and donor coordination. The latter function could be contracted out to a local consultant focusing on information dissemination and specialized training for PMU staff.

### 3. Changing the Aid Relationship: Is Business Conducted in a New Way?

#### A Perception of Moderate Change

3.1 The CDF principles of country ownership and country-led partnership build on the policy work within the UN (UNDAF), OECD-DAC, and the work several bilateral agencies (e.g. Sweden and UK) have done on guidelines for building partnerships. Besides calling for greater sensitivity to the local context, these guidelines emphasize the need for donors to commitment to:<sup>26</sup>

- Transparency in its own decisionmaking;
- Greater flexibility in aid identification;
- Greater flexibility in aid administration;
- Longer-term financial commitments;
- Enhanced levels of assistance.

3.2 The expectation is that these commitments, if taken together and if implemented, will stimulate greater ownership on the part of the recipient. In return donors typically expect partner governments to:<sup>27</sup>

- Commit to the millennium development goals and development targets.
- Commit to pro-poor economic growth and conservation of the environment.
- Pursue policies that promote a responsive and accountable government.

3.3 Obviously, there is an element of give and take in aid relationships built on this basis. How much each of the partners – the recipient and the donor – is willing to give away depends on many factors, such as domestic and institutional policies and the level of aid dependence. In addition, aid relations are part of international relations more broadly, covering foreign policy and strategic concerns, as well as trade and investment. The following sections look at how aid relationships have changed in Vietnam in recent years.

3.4 According to the survey, there is an overall perception that aid relationships have improved (local respondents and expatriates share this view). When reflecting on more concrete dimensions of country ownership, respondents by and large rate the changes as *moderate*. This probably reflects both the short time frame being assessed (three years) and that most of the changes observed have to do with processes yet to be translated into tangible results. Locals and expatriates also had diverging assessments on certain concrete issues, expatriates generally being more critical. The main findings are as follows:

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<sup>26</sup> These type of commitments can be found in aid policy documents issued by various donor agencies, starting from about 1997 (e.g. with UK and Sweden).

<sup>27</sup> These statements are taken from a UK White Paper on aid: DFID (1997), *Eliminating World Poverty: A Challenge for the 21<sup>st</sup> Century*, London.

- Nearly all respondents (96%) say that the role of central government in ODA management has improved. At the provincial level progress is somewhat less (87%). There has been significant improvement in ODA coordination and management capacity; 43% of respondents say “major” improvements, while 52% say “moderate.”
- Criteria for ODA prioritization are still considered very general and difficult to apply, according to 53% of locals and 76% of expatriates.
- 64% of the respondents say that there have been “major” improvements in the relations between government and donors; 34% classify the change as “moderate.”
- Donors have yet to take full account of national priorities in their assistance strategies; 35% say “to a large extent” and 55% say “moderately.”
- About 50% of respondents felt that ODA project design is still largely donor driven.
- Overlapping aid continues to be a problem; 55% of locals say that the problem has “not reduced,” while 73% of expatriates say it has been “reduced a little.”
- Progress is noted in harmonization of procedures. 95% of locals and 67% of expatriates are of this opinion, but respondents seem cautious about prospects for major steps of donor harmonization; 26% say this is “unrealistic” and 68% think it is “somewhat realistic.”
- Progress is also noted in sharing of information between government and donors; 50% note “major” improvements.
- There is broad support for the view that government should negotiate with a group of donors on strategy and individual donors on specific projects/issues (84%).
- There is wider participation in development planning. When asked, 59% say that there has been “moderate” and 21% saw a “large” broadening of stakeholder participation in project preparation. But there is much room for improvement; 42% say “moderate” and 39% say “little” when asked about changes in the relationship between government and the civil society/non-state sector.

### **Viet Nam: A Long History of Aid Relations and Different Roles of ODA**

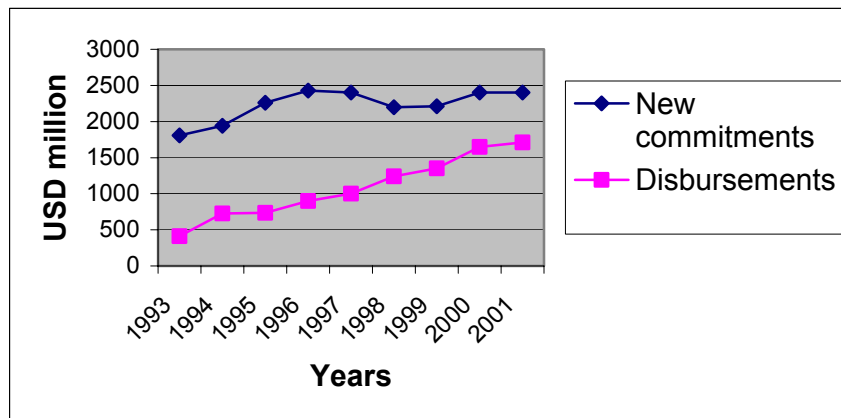
3.5 The first meeting of the Consultative Group for Viet Nam took place in 1994, making the country a full partner in the development assistance system. But Viet Nam’s aid relations date back to the 1950s and ODA was dominated by support from the USSR and other COMECON countries in the period up to the late 1980s. Western donors started coming after the end of the war in 1975, but all except Sweden left soon after in 1979 with the intervention by Viet Nam in Cambodia. Assistance from the former COMECON countries was curtailed at the end of the late 1980s, following the break-up of the former USSR. Project aid from COMECON concentrated on capital equipment in infrastructure, industry, and energy. There was considerable debate about the quality of this assistance and delays in implementation were common. More than 170,000

Vietnamese received education or training in USSR and several tens of thousands in Eastern Europe.<sup>28</sup>

3.6 During the late 1980s and early 1990s, the net aid flow plummeted and Viet Nam had to rely more on the limited levels of assistance provided by the UN agencies, Sweden, Finland, and Australia.<sup>29</sup> Much of this ODA was allocated for technical assistance activities, training, and social services. Some of it financed technical advice on economic reform. In general, however, studies show an inverted relation between volume of aid and decisions to reform in Viet Nam. Economic reform was initiated after the invasion of Cambodia and the cessation of Chinese and most Western aid in 1979-80, and it accelerated in 1989-90 as a response to the severe economic crises in 1988-89, caused partly by dramatic cuts in the Soviet aid and trade. “The fact that until recently Vietnam remained ineligible for IFI lending and conditionality has perhaps also contributed to making the reforms process more authentically Vietnamese.”<sup>30</sup>

3.7 Following the lifting of the United States embargo on economic links with Viet Nam, a Donor Conference in November 1993 marked a new era in ODA relations, with multilateral financial institutions and many DAC countries starting and/or expanding ODA programs. Already at this first conference total commitments ran as high as US\$1.8 billion, but disbursements built up slowly to reach US\$1 billion in 1997 (see figure 3). Nearly half the total disbursements since 1993 have been made in the last three years (see table 1).

**Figure 3: ODA Commitment and Disbursement 1993 to 2001**



<sup>28</sup> Fforde, Adam and S. de Vylder (1996), *From Plan to Market. The Economic Transition in Vietnam*, Westview Press, p.293.

<sup>29</sup> GoV (1993), *Vietnam: A Development Perspective, Government Report to the Donor conference*, September 1993.

<sup>30</sup> Fforde and de Vylder, op.cit., p.315.

3.8 Japan is today the biggest donor to Viet Nam, accounting for as much as 53% of total ODA disbursement in 2000.<sup>31</sup> Vietnam is now the second largest current IDA borrower. As a sign of unabated donor confidence total pledges made at the 2001 CG meeting reached the same level as the previous year despite new pressures on global ODA (even Japan did not lower its aid commitment despite major cuts in the overall aid budget).

**Table 1: Annual ODA Commitments and Disbursements, 1993-2001**

Year	New commitments (USD million)	Disbursements (USD million)
1993	1,810	413
1994	1,940	725
1995	2,260	737
1996	2,430	900
1997	2,400	1,000
1998*	2,200	1,242
1999**	2,210	1,350
2000	2,400	1,650
2001	2,400	1,711 (est.)
<b>Total</b>	<b>20,050</b>	<b>9,728</b>

Note: (\*) excluding USD 0.5 billion for budget support for economic reforms.  
 (\*\*) excluding USD 0.7 billion for budget support for economic reforms.

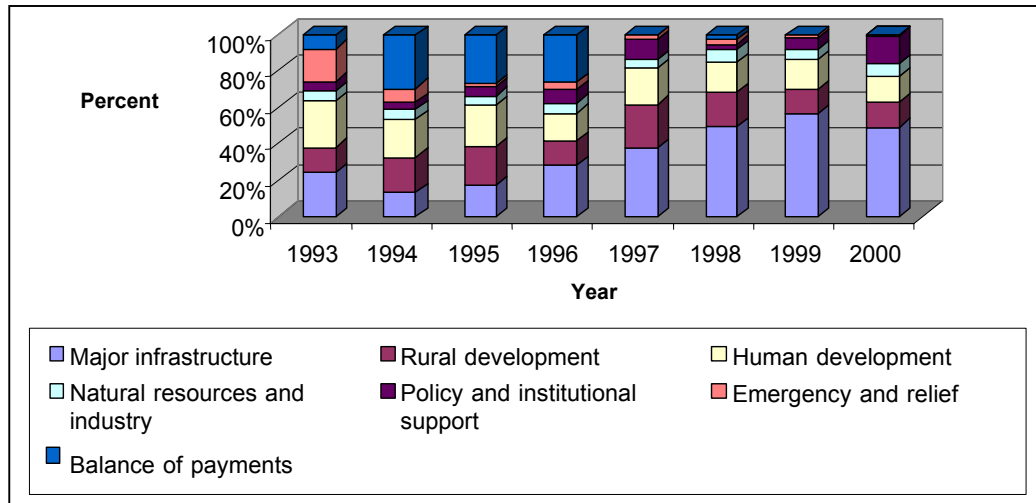
Source: GoV (2001), Government Report to the CG Meeting 2001 and MPI.

3.9 Human development and major infrastructure projects each accounted for about 25% of total ODA disbursements in 1993, with a further 17% disbursed for emergency relief and 13% for rural development. From 1998 to 2000 about half of total disbursements were allocated to major infrastructure projects (mostly for transport and energy). The share of disbursements for human development declined to just over 14% of total disbursements in 2000. The government aims to maintain this pattern, and emphasizes its priority for using ODA for energy and industry (25%) and transport and telecommunications (25%). The allocations to agriculture, irrigation, forestry, and fishing are planned at 15% over the five years to 2005.

<sup>31</sup> UNDP (2001), *Overview of Official Development Assistance: Vietnam*, Ha Noi, December 2001.



**Figure 4: Share of Total ODA Disbursements By Sector: 1993-2000 (%)**



Source: From data presented in UNDP (2001), *Overview of Official Development Assistance: Viet Nam*.

### **Donor Partnership: Sensitivity to the Local Context**

3.10 Viet Nam comes from a political tradition and historical experience in which association with foreign agencies, especially from Western countries, was strictly controlled and viewed as a security risk. Understandably, this limited the opportunities for donor agencies to develop understanding of Vietnamese society. In the early 1990s, the donors more or less operated in an enclave in Hanoi where interaction with the government system was restricted to formal negotiations. There was little in the way of informal dialogue and exchange of information. The language problem further restricted communication. The donors had limited access to data sources in Vietnamese and official statistical information, while on the other side only a fraction of the analytical work produced by donor agencies was translated into Vietnamese. This lack of understanding, combined with theories of “big-bang reform” at the time, partly explains the unrealistic expectations among many donors as to the speed of reform and the absorption capacity of the Vietnamese system.

### **Box 5: “Partnership” and “Ownership”**

Partnership and ownership are complementary concepts but there is sometimes a potential trade-off between the two in practice. Both concepts deal with the qualities of the relationship between organizations involved in development work. These relationships are characterized by asymmetries in terms of power and access to information.

While the term ownership says something about power—the strength and confidence of the individual party—“partnership” is about counteracting such inequalities. Every actor cannot gain ownership simultaneously; partnership often means giving away something, or at least defining ownership in a new way.

Partnership can take different forms depending on the purpose and the interests of the involved actors. It can be defined as an organized forum and process for information sharing, planning, joint decisionmaking, or joint action. Important issues concern who is involved and invited, who has the lead, and what the shared responsibilities are.

3.11 Already at the first meeting of the Consultative Group for Viet Nam, in November 1994, the chairman (i.e., the head of the World Bank delegation) provided a word of caution. Commenting on the impressive new pledges at the meeting, (approximately US\$2.0 billion), he noted that “given implementation constraints, a large increase in commitments is not what is needed at this time and absorption of the sums already committed should be the central focus of our collective efforts over the next year, paving the way for expansion in the future.”<sup>32</sup> The UNDP Resident Representative stated in the meeting: “Re-inventing government has only just begun in Viet Nam. The question is not whether Viet Nam can get its policies right. It can. The issue is instead whether Viet Nam has the capacity needed to make its policies work.” Several donor representatives raised concerns about cumbersome processing procedures for development assistance and slow decisions, resulting in slow disbursement.

3.12 Seven years later, donors seem to have a far more realistic perspective on the constraints of the system and the pace of reform. The main agenda of the donor community remains the same, namely supporting the program for macroeconomic and structural reforms, but the sensitivity to the local context has greatly improved. Of particular significance is the explicit recognition that donors have to work within the framework of the existing national planning system. At the 1999 Mid-year CG Review Meeting it was agreed that the donor community should support the government’s five-year planning exercise. This subsequently led to the preparation of the report “*Pillars of Development*” (World Bank 2000) as one of several donor inputs to the process leading

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<sup>32</sup> Consultative Group Meeting for Viet Nam (1994), ‘Chairman’s Report of Proceedings’, Paris, November 15-16.

up to the *Socio-Economic Development Strategy 2001-2010*. The World Bank, in partnership with ADB and UNDP, prepared the report.

3.13 In general, the international community now broadly endorses the government's reform agenda. At the December 2001 CG meeting the Chairman's closing statement summarized the consensus, stating that "donors congratulate the Government of Vietnam for adopting a program of macroeconomic and structural reforms necessary to ensure high growth and rapid poverty reduction."<sup>33</sup> There is an enhanced understanding that the pace of reform needs to be dictated by national political considerations. Meanwhile the capacity of the central government to engage in the dialogue with donor agencies has significantly improved. This is a result of the general opening up of the country and the gradual impact of aid-sponsored training programs in Vietnam and abroad.

3.14 Another initiative pointing in the same direction is the recent analytical work of "localizing" the Millennium Development Goals.<sup>34</sup> Viet Nam has committed itself to the MDGs, but in consultation with donors, through the Poverty Working Group, it was agreed to establish a new set of indicators that are in line with government's own strategic goals and time frame (i.e. scheduled to 2010 rather than 2015, which is the time horizon for the current national strategy). Several donor agencies and INGOs have contributed to this analytical work, which has informed the development of the Comprehensive Poverty Reduction and Growth Strategy (CPRGS).

3.15 There is not complete consensus about the level of ownership of the MDGs. One INGO representative commented at the 2001 CG Meeting that the work of localizing MDGs is "still strongly dominated by the international community, and it appears that ownership in various ministries is still limited. This lack of ownership is partly due to the speed of developments and policy processes, and also because of the relatively large presence and interest of international agencies to be involved, including INGOs."<sup>35</sup>

### **Government: Redefining Ownership and Building a System for ODA Management**

3.16 The government is subject to constant pressures from donors for reform, but has managed the reform process on its own impetus, using national experts. Whilst the government's ownership of policy making is unquestionable, its management of ODA is not as strong. Much work remains to secure better integration of ODA in regular development administration. Part of the challenge is to harmonize national procedures with international standards and the various operational guidelines of individual aid agencies. Probably the most significant step in recent years is the promulgation of a new law on competitive bidding, opening up the possibility of private companies competing for public contracts.

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<sup>33</sup> Consultative Group Meeting for Viet Nam (2001), 'Chairman's Closing Statement,' Hanoi, December 7-8.

<sup>34</sup> At the UN Millennium Summit 2000 what had been referred to as International Development Targets was relabeled Millennium Development Goals.

<sup>35</sup> Contribution to 2001 CG meeting from four international non-governmental organizations, page 6.

### **Box 6: Ownership – by Whom?**

The terms “country” and “national” ownership have no authoritative definition. In recent aid policy documents, the use of the term varies from a narrow focus on the executive branch of government in dealing with donor agencies to the functioning of the political system at large, i.e., the nation. In the latter case, strong country ownership is often linked to a concept of some form of national consensus emerging from a broad and participatory political process. Most social scientists would argue that this quest for consensus is unrealistic; issues such as poverty reduction and redistribution remains highly controversial or conflictual in any society as they inevitably involve power relationships and challenging vested interests.

This notwithstanding, a government with a long-term development vision based on democratic principles needs to build popular support and a political platform for its reform agenda. Building national ownership in this sense encompasses a process where the following elements are in place:

- Reform initiatives come from within. Policy is not dictated by external agencies. When ODA is involved, the government is in the driver’s seat at all stages in the co-operation – from setting the ramifications for country strategies and priorities for donors, to identification, design, implementation, and evaluation of programs and projects.
- There is knowledge and intellectual conviction among key policymakers and technocrats and support of the top political leadership.
- Broad-based campaigns and participatory processes sustain popular support and promote understanding of policies.
- There is capacity for action and institutionalization of measures within the system. People cannot own a political vision unless they see results.

3.17 Complex arrangements for decisionmaking related to ODA, a lack of donor understanding of the Vietnamese system, and a lack of government capacity and understanding of donor requirements resulted in major delays in project approvals and implementation. All but the smallest projects had to be approved by the State Council for Project Appraisal Committee before submission to the prime minister for final approval. In 1994, the government issued Decree 20-CP to clarify the respective roles and responsibilities of government agencies in ODA management. The lead responsibility for ODA coordination was transferred, from the Office of Government<sup>36</sup> to the Ministry of Planning and Investment.<sup>37</sup> Nevertheless, disbursement delays have remained a major donor concern.

3.18 In order to address delays, the government took several steps to further improve the regulatory environment for harmonizing procedures. New decrees were issued in

<sup>36</sup> Formerly, the Office of the Council of Ministers (OCM).

<sup>37</sup> Formerly, the State Planning Committee (SPC).

1996 to resolve specific issues such as the management of investment capital and construction and procurement during the whole project cycle.<sup>38</sup>

3.19 Major changes were introduced in 1997 to address continuing concerns (of both the government and donors) about delays in approving and implementing projects. Decree 87-CP (August 1997) replaced Decree 20-CP to strengthen MPI's responsibilities with regard to ODA management and requiring ODA counterpart funding requirements to be included in annual budgets. Decrees 92-CP and 93-CP were also issued to amend earlier regulations on management and construction and on bidding, with the aim of "decentralizing and streamlining procedures."<sup>39</sup> The government's 1997 CG report stressed the importance of Decree 87-CP in promoting cooperation between donors and the government. This was seen as crucial in ensuring effective ODA management and utilization. We see that the need for improved cooperation is a recurring theme in government's CG report, even before the CDF was announced.

3.20 While the 1997 CG meeting noted mostly positive trends in terms of ODA disbursements, and welcomed Decree 87-CP as an important step toward further improving the efficiency of ODA delivery, some representatives also noted that much remained to be done to ensure effective implementation of this decree. Subsequently, further regulations were issued to further streamline management, procurement, and other implementation procedures in line with Decree 87-CP principles (e.g., Decrees 52-CP and 88-CP in 1999). In its report to the 2000 CG meeting (p.32), the government concluded that a basic regulatory framework for ODA management was established.

3.21 Both the 2000 and 2001 government reports to the CG identified the following improvements needed to further improve ODA management: (a) refine the regulatory framework to facilitate harmonization of procedures between government and donors; (b) issue an ordinance to resolve compensation and resettlement issues; (c) develop domestic ODA management capacity at all levels; and (d) strengthen ODA monitoring and evaluation to facilitate rapid action to resolve problems. The government issued Decree 17-CP in May 2001, followed by initial implementing regulations, to help lay the foundation for harmonization of procedures with donors.

### **Harmonization: A Two-Way Process**

3.22 A recent study of *Aid Transaction Costs in Viet Nam*, funded by DFID, concluded from a qualitative assessment that there is scope for substantial reductions in transaction costs both at macro and project levels. During the study, it became evident that it is very difficult to gather quantitative information on transactions costs and that in trying to measure such costs it incurs unacceptably high transaction costs.<sup>40</sup>

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<sup>38</sup> Decrees 42-CP provided clear procedures for project appraisal and approval and delegated decisions on projects < USD 1.5 million to MPI. Decree 43-CP was the first legal document issued specifying tender procedures.

<sup>39</sup> GoV Report to the 1997 CG Meeting, p.34.

<sup>40</sup> Brown, A et al. (2000), *Aid Transaction Costs in Viet Nam*, ODI, London, p.1.

3.23 While the government has made the greatest efforts at harmonization, some recent donor initiatives are also important. At the project level, the EU Cost Norms, issued in 2000, have been very useful in setting a standard on special allowances and fees related to aid projects, and ADB and the World Bank have recently harmonized their procurement procedures. The major lending institutions JBIC, ADB, and the World Bank also engage in joint portfolio reviews.

3.24 A study in 2001 on prospects of harmonization of ODA procedures, financed by six bilateral donors (the Utstein Group<sup>41</sup>), identified a series of short-term (“quick”) and longer-term measures to bridge the gap between the government system and donors’ procedures. “There are areas where the six donors can start ‘fitting in’ with the GoV system rather quickly.”<sup>42</sup> The findings of the study were translated into a set of joint commitments presented by the group to the 2001 CG meeting to be pursued in the course of 2002:

- A clearly defined and jointly funded capacity building program to facilitate the effective implementation of Decree 17;
- Active government-donor working groups coordinating the longer-term harmonization process in the specific areas of monitoring reporting, evaluation, and procurement;
- Cross learning between Viet Nam government representatives and members of the DAC task force on harmonization of ODA procedures, following a visit to Viet Nam by DAC task force members;
- Better understanding of sector-wide approaches and tools such as the logical framework approach following a series of training sessions and seminars;
- Effective use of new ODA instruments that promote harmonization and increase aid effectiveness. Examples include: multi-donor trust funds, co-financed projects and sectoral programs, and the co-financing of programmatic lending instruments such as the recently concluded Poverty Reduction Support Credit (PRSC);
- A common assessment of the CPRGS as the framework for ODA planning. If the CPRGS represents a high-quality, strongly-owned and country-led process, then donor country assistance strategies could be developed as “action plans” lined up behind the CPRGS.

### **Partnerships Take Off**

3.25 When asking donor representatives about the most tangible evidence of change in the aid relationship, the first response was inevitably the partnership groups. This was initially a UNDP initiative, predating CDF, which received a new momentum under the stewardship of the World Bank.

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<sup>41</sup> The Utstein Group, originally involving Norway, UK, Netherlands, and Germany, in this case refers to the six donors – Netherlands, UK, Finland, Norway, Sweden, and Switzerland.

<sup>42</sup> Grant Thornton (2001), *Government of Vietnam/Donor Harmonization Study*, Draft Main Report, August 3, 2001, p.iii.

3.26 The term “partnership” first received prominent attention in 1998. At the 1998 mid-year review meeting of the Consultative Group, in Hue in June, the prime minister picked up on the new international vocabulary on partnerships in development. He urged the donors to act in a greater spirit of cooperation with each other and the government. The CG Meeting later that year devoted half a day to the theme of partnerships and sector approaches. At that meeting “delegates also discussed a new approach to partnership in the design and implementation of development assistance, one in which the government would be in the driver’s seat, but all stakeholders would work together to develop and implement a long-term vision and strategy for Vietnam” – words that are strikingly similar to the CDF-concept soon to follow.

#### **Box 7: Poverty Working Group: A Center Court for Partnership**

A smaller circle called the Poverty Task Force (PTF), with a larger “audience” of more than 100 called the Poverty Working Group (PWG), has been exceptionally active. Remarkably, the energy of the PTF has been sustained since its creation in 1999, meeting every month.

Some lessons on partnership from the PTF/PWG are:

- It has created a forum for dialogue *between* sectoral government ministries and agencies, supported with analytical input throughout the process.
- It has provided capacity building opportunities for many Vietnamese counterparts to familiarize themselves with the priorities and perception of donors. “We learned a lot from the workshops and meetings, especially the rules of their games.”
- It demonstrated that English proficiency is a barrier for many non-English speaking members and that therefore there is a need to invest in simultaneous interpretation and translation during meetings.
- It is an informal structure, dependent on the leadership and commitment of a few core members especially from the donor group – like World Bank and DFID, though this raises concerns about sustainability.

3.27 Furthermore, the chairman of the CG, in his closing statement, linked this new approach to the notion of ownership: “Delegates felt that effective partnerships would raise the level of ownership of development assistance by Vietnamese agencies, enhance transparency, improve financial management, and enhance overall aid effectiveness.”<sup>43</sup> The health sector, the poor communes program, and reforestation and upland development programs were identified as immediate priorities for developing effective partnership working groups.

3.28 One year later, in 2000, the World Bank compiled a report summarizing policy discussions and activities of 16 thematic working groups and by the end of 2001 there were 20 groups reporting activities to the CG Meeting, covering virtually all important sectors and thematic areas (cf. Table 2 below). The groups represent great variation in

<sup>43</sup> Consultative Group Meeting for Viet Nam (1998), ‘Chairman’s closing statement,’ Paris, December 7-8, p. 6.

what is described as a “partnership journey.”<sup>44</sup> The journey involves steps requiring progressively increasing levels of mutual commitment among the members of the group: information sharing; joint diagnosis; agreement of principles; detailed action plans; and distribution of tasks and funding. The present groups are found all along this continuum and they vary in the degree of organizational formality. It must be underlined that although all groups have a role in bringing different development partners together, their history and purpose can be rather different.

3.29 Some groups have donor representatives only and serve mainly as an information-sharing forum, mostly in a rather informal way. Some of the informal groups also have government representatives joining meetings, as well as representatives of non-state agencies. The structure gets more formal when government has a lead role and financial resources are made available. Some of the groups are linked to Steering Committees for sector studies and reform programs (e.g., Public Expenditure Reform, Public Administration Reform and Legal Needs Assessment) and others to aid coordination mechanisms (International Support Groups) of particular ministries (e.g. MOSTE, MARD, MoH). Some groups are part of a sector program management structure, such as the Five Million-Hectare Reforestation Program and involve the signing of a Memorandum of Understanding and the financing of a secretariat.

3.30 It is too early to assess the significance of these various partnerships in terms of improving aid effectiveness, but some initial observations can be made based on interviews and document reviews:

- Partnership groups have contributed toward sector strategies and improved coherence. Some donors will not provide assistance to a sector until a strategy is in place and endorsed by government and the partnership group.
- Donors feel under a stronger obligation to consult with others before taking new initiatives.
- Government is opening up, recognizing the value of more informal interaction with foreign agencies.
- Government now expresses strong support for the partnership way of working.
- Donors are under greater pressure to be selective and provide specialized expertise in just a few areas, since smaller donors do not have the resources to participate effectively in a broad range of partnerships.
- There are several concrete cases where the partnership forum has facilitated agreements on joint donor financing.

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<sup>44</sup> CG Meeting, Hanoi, December 7-8, 2001, ‘Putting Partnerships to Work.’



**Box 8: Program 135: The Ownership-Partnership Deal Not Yet Closed**

Several donors have been supporting projects in poorer districts and communes and have also pledged support to government's program for disadvantaged communes – *Program 135*. It has been difficult, however, to reach an agreement on the overall strategy and modalities of the program. The challenges summarized in a report to the 2000 CG meeting illustrate what might be involved in seeking complementarity between ownership and partnership. Progress will require adjustments on both sides (from *Partnership for Development*, Report to 2000 CG Meeting):

For *donors*:

- A long-term commitment to poor communes is needed;
- A path from project- to program-based support for the government should be sought;
- Some agency “identity” may need to be sacrificed for the sake of effectiveness;
- Donor cooperation should be sought based on flexibility and comparative advantage; and
- Procedures and levels of financial support should begin to be standardized.

For *government*:

- Budgetary processes must become more transparent and accountable;
- Capacity building should become as important as provision of infrastructure;
- Poverty targeting should be improved, including targeting within communes; and
- Program monitoring and progress reporting should be standardized and coordinated.

3.31 Not everybody is equally positive in his or her assessment. Some of the smaller donors complained about lacking the staff resources required to be an influential member of a partnership group. In the last CG Meeting a concern was raised about too many meetings, too many reports, and too much engagement in meta-discussions. There is an obvious risk that the time spent in dialogue at a central and higher level may come at the expense of investing in relationships on the ground, including not least, the beneficiaries.

3.32 The small donors, in particular, have a strategic choice to make: Should they limit their participation in high-level policy dialogue with central government and concentrate their staff resources at a more operational level? Arguments for this include:

- Although partnership groups might reduce transaction costs of the government in dealing with ODA, some argue that Viet Nam is likely to benefit more from quality partnerships at sub-sectoral and sub-national level, and with private sector and civil society organizations, rather than having central government engaged in an extensive dialogue with a large number of donors on national policies.

- It is also argued by several Vietnamese observers that the value of ODA is much more than the financial resources it brings. Hence, they disagree with one bilateral agency's interpretation of country ownership, that "our goal is only to send a check." The counter argument more commonly held is that partnerships need to focus on operational issues as well, with emphasis on:
  - Capacity building through institutional cooperation;
  - Transferring technology and providing a window to the outside world as a source of new ideas;
  - Being a catalyst for mobilizing domestic resources;
  - Facilitating new opportunities for voicing opinions.

3.33 Such benefits of ODA derive from a type of development cooperation that is people-intensive and involves working together at an institutional level. There is slight danger that the will and ability of donors to be effective partners at this level could diminish with the attention being shifted toward program and budget support.

*Table 2: Partnership Groups Reporting to the CG Meeting*

<b>June 2000 Mid-year CG Meeting</b>	<b>December 2000 CG Meeting</b>	<b>December 2001 CG Meeting</b>
Poverty Working Group	reporting	reporting
Gender Strategy	reporting	reporting
Environment	reporting	reporting
	Civil Society and Community Participation	reporting
	SOE Reform and Equitization	reporting
	Banking Reform	reporting
Small and Medium-size Enterprise Support Group	SME Promotion and Private Sector Development	
Private Sector Forum		
Basic Education Forum	Education	Education Forum
Health	reporting	reporting
The Five Million Hectare Reforestation Program	reporting	Forest Sector Support Program & Partnership
The Partnership to Support the Poorest Communes	reporting	reporting
Food Security	reporting	reporting
Central Provinces Initiative to Mitigate Natural Disasters	reporting	Natural Disaster Mitigation
	Participatory Provincial Partnership Tra Vinh	
	Water	Water Resources
Transport	reporting	reporting
ODA Partnership (ODAP) in Ho Chi Minh City	reporting	reporting
	Urban Sector	Urban Forum
	Energy	
Public Administration Reform	reporting	reporting
Legal Development	Legal Sector	Legal Needs Assessment
		Trade Policy
		Public Financial Management
Fisheries		

### **World Bank Defines the CDF as: “A Way of Thinking”**

3.34 As already noted, the World Bank has a relatively short history in Viet Nam. It initiated discussions with the government in 1989, while a Country Office was opened in 1994. The first Country Director was posted in Hanoi in late 1997 and a new country operations team was created in 1998. Being new to the country obviously had its advantages. The new team had a blank canvas upon which to create the image of a “new” Bank determined to change its way of doing business. One tangible expression of this was the delegation of authority from Washington, D.C. to Hanoi, and the appointment of a Country Director with cross-disciplinary experience and especially strong communication and leadership skills. The Bank’s resident mission thus began with considerable autonomy and a sizeable core of senior staff. The partnership concept ranked high on the new business plan, spurred by the prime minister’s call for a greater spirit of cooperation.

3.35 The first initiative was to ensure wider consultation in the preparation of the Country Assistance Strategy (CAS). During 1998, a series of dialogues and consultations took place between the World Bank and the government, mass organizations, the Communist Party and the National Assembly, private sector, research institutes, international NGOs, the United Nations systems, and other donors. The CAS reinforced the need to focus on poverty reduction, not merely economic reform and growth. A first step would be improving poverty analysis, monitoring and targeting, and the need for a second poverty assessment was identified. Contrary to the first assessment in 1995, the CAS specified (a) that the work should be done in partnership with central and local government, with NGOs, and with other donors, and (b) that the assessment would incorporate qualitative information.<sup>45</sup>

3.36 The next major partnership initiative was the creation of the Poverty Working Group. In February 1999, just after CDF was announced, the World Bank sent a letter to MPI about its intention to establish a group to oversee the poverty assessment process. The aim was to involve the government from the early stage in order to reach policy-makers at the central level and the Bank requested MPI to nominate specific government officials. MPI did not have this convening power and replied that they would seek nomination from concerned Ministries and other agencies.<sup>46</sup> In this way, the Poverty Working Group was established with eight government agencies (including the Women’s Union as a non-state actor), four donor agencies, and four organizations to assist with

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<sup>45</sup> Turk, Carrie (2001), *Linking Participatory Poverty Assessments to Policy and Policymaking. Experience from Vietnam*. Policy Research Working Paper 2526, World Bank/East Asia and Pacific Region: Washington DC/Hanoi.

<sup>46</sup> World Bank, Vietnam Process Case Study, <http://www.worldbank.org/participation/web/webfiles/vietnam.htm>, page 6.

Participatory Poverty Assessments.<sup>47</sup> The Ministry of Health and Ministry Education did not join.

3.37 It is instructive to trace the way in which the CDF concept was introduced in Vietnam. When the proposal came to include Viet Nam as a CDF pilot country, the Country Director enthusiastically supported the idea. “We were at the point in Viet Nam where donors were friendly but only at the level of information sharing – the discussions had no substantive ‘bite.’ I could see this wasn’t good for Viet Nam, when you couldn’t get a sectoral view of anything.”<sup>48</sup> CDF was regarded as leverage to partnerships into more of a technical, sectoral, and policymaking environment. When the Bank first introduced the CDF, it was met with skepticism as to whether this was another new World Bank instrument. Soon there was also confusion about the relationship between CDF, PRSP, and UNDAF, etc. The Bank calmed these concerns by explaining that CDF was not an instrument but a shift in philosophy, “a new way of thinking and of doing business.” In order to avoid any perception that the CDF was a World Bank trademark or product, the CDF name was not used. Instead Bank staff focused its energetic advocacy and leadership on the CDF principles themselves, particularly those of ownership and partnership.

3.38 There was also early resistance to the concept within the Bank’s country office. At a country team retreat in Sa Pa, 115 Bank staff was introduced to the CDF approach as the new “gospel.” Reportedly, there was a lot of initial resistance against another trendy “unfunded mandate,” and a concern that the quality would plunge if the Bank got into too much “joint work.” After thorough discussion of these concerns and what the CDF principles meant in practice, it was agreed that the World Bank in Hanoi would operate according to CDF principles. The Country Director was quite strong and consistent in this message—staff was expected to demonstrate commitment to a CDF approach in their daily interactions and operations and those that could not accept this way of working would not be expected to stay on.

3.39 The next step was to assign World Bank consultants to work in partnership with others and help advise on sectoral approaches and the government’s five- and ten-year strategies. Furthermore, the Country Office was strengthened with staff on secondment from other agencies (i.e. DFID, CIDA, Danish Ministry of Foreign Affairs and Volunteer Services Overseas – a UK NGO), some working exclusively for promoting partnership. This proved to be an excellent way to establish trust and working partnerships, and secondees felt they did have influence on Bank perceptions and processes.

3.40 The 1999 CG Meeting represented the start of a new era of partnership. The findings of the second poverty assessment were presented and the effort, collaboration process, and high quality of the assessment report – *Vietnam: Attacking Poverty* – were highly appreciated and established a new standard for “joint work.” Furthermore, for the

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<sup>47</sup> MPI, MOLISA, MARD, GSO, CEMMA, MOF, Women’s Union, State Bank of Vietnam, Oxfam GB, SCF (UK), Action Aid Vietnam, Vietnam-Sweden Mountain Rural Development Programme, DFID, SIDA, UNDP and WB.

<sup>48</sup> Interview, World Bank Country Director, 28/11/2001.

first time local NGOs – about 20 in total – were invited to attend a CG Meeting. The UN’s Common Country Assessment was also presented and the government, donors, and INGOs agreed to work on comprehensive poverty strategy. The government informed delegates that over the coming year each ministry would prepare revised medium-term plans and strategies for each sector. Donors agreed to work with the government to support the preparation of these strategies and to use them to guide their ODA programs.

3.41 With the 1999 CG Meeting we also saw the beginning of important changes in the procedures of conducting the meeting, making it more relevant to national stakeholders:

- The last three CG meetings have taken place in Viet Nam, and most likely, this will continue as a permanent arrangement.
- A mid-term CG Meeting has been introduced, which is less formal and allows for more in-depth discussion on special subjects.
- The meeting is co-chaired by MPI and the World Bank.
- INGOs have been allowed to send their own delegation.
- The meeting is attended by a large group of observers, including representatives of non-state agencies and the private sector, who are free to participate.

3.42 The change in style, atmosphere, and even attendance at the CG Meeting were attributed in large part to the CDF initiative. The leadership taken by the Country Office mattered, but of equal importance was the global link. The World Bank president in international fora vigorously promoted the CDF; it had the support of the Bank’s Executive Directors and had been embraced by several ministers of development cooperation. According to the Bank’s Country Director, “It would have been very hard to get a discussion on the CDF principles going with various bilateral representatives here without that global link. With the build-up of a strong Country Office there was a real risk that the Bank would dominate everything, but oddly enough, it was the CDF and its partnership emphasis that helped prevent the Bank from dominating.”<sup>49</sup>

### ***Perceptions of CDF: Responses from the Partners***

3.43 Typically, very few Vietnamese related to ODA are aware of the term CDF itself. Several factors can explain this. The most important, probably, is that the World Bank did not promote the term itself after meeting skepticism among government representatives – a Vice-Minister of MPI stating, for example, that there is “not the need for another new framework alongside so many other frameworks” – and from several donors (see above). However, the relevance of the CDF principles is widely recognized.

3.44 Among those who had been introduced to the term, there is no uniform understanding of what CDF is. We can distinguish between three kinds of interpretations or reactions:

- The most common view was that CDF represents an effort, especially from the World Bank, to promote a framework for more effective ODA – representing, as

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<sup>49</sup> Interview, World Bank Country Director, 11/28/2001.

- espoused, *a way of thinking* in the form of guiding principles that will change the way of “doing business.” The message is directed first and foremost to donor agencies, assuming that there is a substantial potential for improving aid effectiveness by changing donor behavior and focus. Most donor representatives were comfortable with this interpretation and the “spirit” of CDF.
- Very few people interpreted CDF as *a framework of action*, coming with specific prescribed actions or methodologies. There was hardly anyone who referred to the concept of a CDF matrix as an instrument to better align ODA to national policies and reform processes. When this more instrumental view of CDF was mentioned, it was mostly as a concern that a World Bank instrument was being imposed on government and the aid community. This view was most explicitly expressed in donor circles. At the same time, the donor community in Viet Nam at large, at least officially, supports the ongoing efforts of developing the CPRGS as a medium-term strategy and a framework for aligning ODA to national policies and implementation strategies for poverty reduction.
  - The last perspective is one that looks at CDF as *principles of planned development in general*, not only ODA, and embraces the interplay between the full range of actors or stakeholders in the country – i.e., that it is a message first and foremost to the government. It was a commonly held view among Vietnamese interviewees that the CDF principles have this general validity. However, the principles leave room for interpretation, and it is interesting to note that among the Vietnamese there were also those who interpreted CDF as containing a political message that goes against the interests of the country – i.e., the Party. The most sensitive issue, understandably, concerns the political implications of terms such as participation and partnership. Some did question the claim to absolute validity of the CDF principles. They especially raised the issues of whether a focus on long-term planning and target setting is the most appropriate in a rapidly changing world; and whether a focus on country ownership – meaning government ownership – slows down rather than promotes necessary reforms.

3.45 Most interviewees responded favorably toward the World Bank team in Hanoi and their way of doing business. There was almost universal acknowledgment that the Bank has had a significant impact on creating the atmosphere and mechanisms for partnership in Viet Nam. This is because of its size, capacity, influence, and the Country Director’s leadership. CDF is mostly associated with various initiatives for improving information sharing among development partners, and strengthening the policy dialogue with Government. The role of the Bank as a convener, in a friendly, and consultative way, was mentioned repeatedly in donor interviews. Access to Bank staff has also increased—one Vietnamese INGO staff remarked, “I go to the Country Director’s house even more often than to the World Bank office.”

3.46 In general, donor representatives felt that the CDF did not contribute a new analytical perspective, since the CDF messages mainly reflected what has been dominant thinking on development issues for some time. As one donor representative stated: “There has been a lot of change, but not due to CDF.” A similar view was expressed by a World Bank resident staff member who said, “CDF changed the Bank internally. It

helped the internal plumbing—not the grand architecture. Other donors were heading this way and CDF helped the World Bank catch up with changing international opinion.” The development counselor of a major bilateral donor was surprised that CDF was the subject of a major evaluation, since he thought that CDF was no more in use and “that PRSP had completely replaced CDF.” Skepticism and resentment against World Bank dominance are still to be found, for instance in statements such as “the World Bank is still too preoccupied with their own procedures and has taken too much lead in the Poverty Task Force” and “the government does not own I-PRSP and the work of localizing IDTs was driven by donors and prepared by the consultants.”

3.47 Two previous studies of CDF have been commissioned, one by SDC and one with CIDA. Both noted significant improvements in government-donor relations, but also acknowledged mixed perceptions:

“The CDF process and principles are still not very clear to many development actors. Some still see the CDF as a World Bank initiative, not as a new approach with broad ownership, and the World Bank was seen by many to be urging the process along. On the other hand, we did not hear many objections against CDF.”<sup>50</sup>

“Among those interviewed, there is emerging consensus that there have been positive developments in implementing the CDF process in Vietnam. There is recognition that the flexible approach taken by the World Bank and the genuine desire for co-operation among the partners account for these positive developments. Nevertheless, there are still a lot of hurdles to overcome.”<sup>51</sup>

3.48 In interviews, donor representatives tended to emphasize the partnership concept, while Vietnamese counterparts underline the ownership dimension. This is understandable, but also underscores the fact that ownership and partnership are not always two sides of the same coin. The potential trade-off between the two principles is illustrated by the two cases that follow.

### **Case III: Aid Relations in the Health Sector and the Trade-off between Ownership and Partnership**

#### ***Agreement on the Need for Reform, but no Consensus on Policy***

3.49 The health sector in Viet Nam is at the crossroads. The public health care system has a serious quality problem and “private” alternatives have been the preferred option for those who can afford them. This includes everything from self-medication based on the advice of private drug vendors to special pay-for-service wards in public hospitals and genuine private clinics. The country has an impressive track record in preventive

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<sup>50</sup> SDC (2000), ‘Country Experience with the UNDAF and CDF: Interpretation and Interface,’ Swiss Mission to Vietnam, October 2000.

<sup>51</sup> CIDA (2000), ‘The Comprehensive Development Framework Approach: The Vietnamese Experience,’ Mainland Southeast Asia Program, November 2000.



health, but the extensive network of health centers is today grossly under-utilized. There is a strong political commitment to equity in access to health services, but the trends are in the opposite direction. An increasing number of households report out-of-pocket expenses for medical treatment as a cause of poverty.

3.50 Choosing the future direction of health policy for Viet Nam is a sensitive and critical issue, which is ideological as much as technical. How much should be privatized and market-based *versus* financed by public revenue and the tax bill? How to ensure equity – through public health insurance systems or safety nets and exemption schemes for the poorest? Viet Nam has some tough choices to make. There are different views among national stakeholders and donor agencies offer alternative types of advice and exert political pressures to various degrees. This case illustrates the dilemmas involved in aid partnership when institutions—in this case, the Ministry of Health (MoH) and the World Bank—disagree. The health sector also illustrates problems of aid coordination more generally.

3.51 The government clearly recognizes the need for reforming the sector, in line with *doi moi* and to confront new health problems and patterns of treatment. There are, however, ambiguities on the pace and direction of reform. The positive interpretation is that there is a need “to make haste slowly”—as a Ministry leader expressed it—while others are concerned that vested interests in the system oppose reform. Major donors to the sector have expressed both views. ADB considers that it has “built a congenial relationship with the Ministry of Health,”<sup>52</sup> and notes “the Government commitment, policies and programs in Vietnam are one of the strongest in the region.”<sup>53</sup> The World Bank, on the other hand, has a different perspective “The central MoH is sometimes more of a bottleneck than a clearing house for decisions and consensus. Constituencies for health sector reform will need to be mobilized from outside MoH if future work can hope to be much more decisive than it has been thus far.”<sup>54</sup> The latter statement prompted a reaction from MoH underlining that “a main prerequisite for a good collaboration is that the donors share the basic value premises and objectives for the development of the health sector as expressed in plans and decisions by the Party and the Government.”<sup>55</sup> Clearly, donors’ partnership agenda and government’s ownership concern do not always coincide.

### ***Disbursement Problems and Lack of Project Level Ownership***

3.52 Besides disagreements on policy, there have been other stumbling blocks in the MoH-World Bank partnership. The health sector was early identified as a priority for

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<sup>52</sup> ADB (2001a), *Better Health for the Poor (ADB’s Future Role in the Health Sector in Viet Nam)*. Hanoi, p. 4.

<sup>53</sup> ADB (2001b), ‘ADB Comments on the World Bank Paper,’ presented at the Consultations on Health Sector Priorities and ADB/WB Programs in Vietnam, 14 June 2001, Hanoi, p.1.

<sup>54</sup> World Bank (2001), ‘Health Sector Theme Note,’ prepared for Vietnam CAS Retreat, May 14, p.4.

<sup>55</sup> MoH (2001), ‘Background paper for the presentation at the public consultation as regards support from the World Bank and ADB (14/6/2001),’ p. 3.

World Bank lending. Preparations started in 1994, but progress since has been very slow. It took two years before the National Health Support Project started in 1996. It is scheduled for completion in 2003, but by end of 2001, only 50% of the funds had been disbursed. According to MoH there were disagreements on how to adjust the project to changed circumstances, problems of adapting to the Bank's bidding regulations, and the lack of capacity and experience of Ministry staff. ADB and EU have also faced similar delays, largely for the same reasons, while agencies with less stringent procedures and smaller projects (e.g., Sida and UNICEF) have had fewer delays.

3.53 As one MoH senior officer noted, the Ministry has different relations with different donors resulting in marked differences in the ownership at the management level of different aid projects:

- A foreign consultant who has to approve all payments, manages the Project Management Unit (PMU) for the EU project. There is a Vietnamese co-director but without real authority. Many payments need further authorization in the EU-system as well. There is clearly lack of Vietnamese ownership.
- A senior officer of MoH heads the Sida PMU, and has the authority to approve payments. A Swedish consultant is involved in the implementation with technical advisers and a Financial Adviser and they have a role in monitoring of plans. There has been a noticeable process over time of strengthening MoH's ownership of the program management. Ten years ago, the program was much more donor-driven and consultant-managed. The Swedish experience shows that time, flexibility, and patience have proved to be critical factors in building mutual trust and enhanced institutional capacity for managing the aid.<sup>56</sup>
- The World Bank PMU set-up is similar to Sida's, but the procedures are different. Payments require "no objection" from the Bank. The main delaying factor is the procurement procedures and international competitive bidding. There has been a capacity problem, mainly because of lack of continuity of Vietnamese staff in the PMU, who have all been on fixed-term contracts.

3.54 These variations in project management illustrate the problem of aid coordination in the sector. Whereas government ownership has been strong on matters of policy, the Ministry has been rather flexible in allowing donors to identify their niches and form separate procedures for aid management. This has resulted in a complex maze of aid relations, comprising 27 donors (excluding NGOs) with a total of 252 projects (end of 1998), which pose a heavy strain on the management capacity of the Ministry. But another, and probably more serious consequence in the long run, is the creation of various vested interests that often pull in different directions. For instance, it is difficult to understand the rationale for having two "health policy units" within the Ministry, one supported by Sida under the Department of Planning, and one supported by EU linked to the Cabinet of the Ministry.

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<sup>56</sup> Sida (2001), *Tackling Turmoil of Transition: an evaluation of lessons from the Vietnam-Sweden Health Cooperation 1994 to 2000*, Sida Evaluation 01/03, Department for Democracy and Social Development, Stockholm.

### *Challenges of Aid Coordination*

3.55 Getting these aid relationships under some form of unified management system has proved to be very difficult, although some formal structures have been put in place – i.e., the Project Coordination Department established in 1998. A report from a Sida-supported project to improve aid coordination observed that:

“While the commitment to reforming the aid management system in the Ministry still seems to remain intact, the process of reform seems to have been halted. Changing the attitude of many senior officials from one of receiving foreign aid as gifts toward one of active development cooperation has emerged as a critical factor of success of the project.”<sup>57</sup>

3.56 Undoubtedly, the rapid growth of donor funding has created major problems with respect to overlapping and competing activities, inefficiency, and misuse of funds, and inconsistency in strategies. Broadly speaking, there are four different agendas related to coordination of aid, and we note that the emphasis in CDF terms, so far, has mainly been on the first one:

- *Coordination of overall policies and strategies.* The question is in what way this would involve the main donors. The concept of a sector-wide approach (SWAp) is based on the assumption that it is possible and desirable to achieve consensus between the government and all major donors to the sector. The Ministry appears reluctant to accept this concept out of concern for their sovereignty.
- *Coordination at the level of project planning, including the monitoring of financial flows.* This necessitates an effective information system, including record keeping on plans, budgets, and expenditures. In order to ensure coordination, not merely data collection, some unit in the system needs to be empowered to intervene, if necessary, in detailed processes of activity planning and disbursement of funds. There is opposition from sections within the Ministry toward centralizing such powers.
- *Coordination of lessons and model development coming out of the many donor projects.* This implies that MoH establishes capacity to assemble, compare, analyze, and disseminate lessons from the “living laboratory” of donor (and other) projects. The level of competence and capacity for analysis and strategic planning has improved, and “units of excellence” are coming up, but cooperation between departments and “silo planning” remains a problem.
- *Coordination of procedures for managing externally supported activities.* It is on this agenda that the prospects of achieving short-term results seem the greatest. The Ministry has started work to prepare sector standards for aid management based on Decree 17-CP.

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<sup>57</sup> SIPU International AB, 1999. *Consulting Services for the Project Co-ordination Department in the Ministry of Health. Final Report for the period 1 November 1998 through 30 September 1999.*

### *Problems of Partnership*

3.57 It is on the first aspect of coordination, at the level of sector policy, that the World Bank decided to make an effort. With frustration over the slow progress on reform and disbursement, a decision was made in 1998 to prepare a Vietnam Health Sector Review (VHSR). The Bank envisaged a three-step process, starting with the analytical work, leading to a health sector strategy, which subsequently would form the basis for a multi-donor support program (i.e., a SWAp). This was intended to be a “Vietnamese” process, in partnership with the donor community. While most donors supported the initiative, MoH showed no enthusiasm. In fact, a letter was sent to the World Bank recalling that it was the responsibility of the government and MoH to formulate policies for Viet Nam’s health sector.

3.58 A Partnership Group of donors was established to assist the preparation of the review, chaired by the Swedish ambassador. This set-up turned out to be slow and the World Bank decided to give the review to a US-based consultant to speed up the work. There was some resentment among donors about this decision. More significantly, however, disagreements later surfaced on the content of the report, especially regarding health financing. This was basically an ideological conflict over basic health system principles, several observers commented. In addition to the Ministry, WHO, Sida, and ADB submitted elaborate comments on the draft report. As a result, most of the recommendations that the consultant had formulated were removed or put in a more diplomatic language. Regardless, MoH decided not to publish the report “jointly” with the group of donors and instead the front page of the report states that the VHSR was prepared “in collaboration with the Ministry of Health.”

### *Lessons Learned*

3.59 The preparation of the Viet Nam Health Sector Review became a lesson on the difficult balance between partnership and ownership in aid relations. An acid test of country ownership is how the government organizes policymaking processes, including managing inputs from donor agencies. The story on health sector reform is one of a stumbling partnership between Ministry of Health and donor agencies, especially the World Bank. And in a recent review of lessons from working in the sector, the Bank concludes: “A shared consensus on the analysis of the health sector and the priority options for its reform toward greater efficiency and equity has not yet emerged among the key partners in the health sector.”<sup>58</sup> That there are major disagreements on policy principles was made clear when, in 2001, the prime minister approved a 10-year strategy for the health sector which included the goal to develop publicly funded pre-payment schemes, including public health insurance for the rural population, against the advice of the World Bank.

3.60 The main lessons in terms of partnership and ownership can be summarized as follows:

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<sup>58</sup> World Bank (2001), ‘Health Sector Theme Note,’ prepared for Vietnam CAS Retreat, May 14.

- Disagreements on policy are legitimate and unavoidable, and certain basic differences cannot be bridged by dialogue and partnership initiatives. Sometimes the parties have to agree to disagree. The World Bank Country Office has concluded that other donors should take a lead in the policy dialogue with MoH. This is in line with CDF – as a way of thinking – even if it goes against pressures from Headquarters to increase lending to social sectors.
- MoH has learned that it needs to be more proactive in the dialogue with the donor community to attract further support. Health policy is the area where differences among donors are the greatest and the government is still undecided on its approach. In this situation, it is critical that MoH encourages an open exchange of views and experiences, but with the agenda set nationally. There is indication that the forum called the International Support Group might serve this purpose.
- Donors have realized that the role of the Partnership Group have to be played down. It is not expected that MoH will be prepared to “co-chair” such a forum, as was the initial idea. WHO has now agreed to coordinate the Partnership Group on Health and to try to make it a donor forum aimed primarily at enhancing the effectiveness of the International Support Group. After all, ODA makes up only 15% of the health budget.
- Several observers note that some of the problems were related to the fact that World Bank manages its health sector support from Washington, DC. The Task Manager is headquarters based, which has hampered the depth and frequency of the dialogue.
- Finally, several observers commented that the sheer volume of ODA projects creates problems, and not only in management terms. Large projects tend to favor vertical programs and hospitals, where it is easiest to spend money, at the expense of more piecemeal investments in the primary health care system. Commenting on the need for MoH to build capacity, the Vice Minister Pham Manh Hung concluded: “the Bank ... needs to also provide the opportunities for capacity building and assistance to use money effectively. Having no money is difficult; yet having more money can be even more difficult.”<sup>59</sup>

#### **Case IV: State Enterprise Reform: Trade-off between Ownership and Partnership on Pace of Reform**

##### *Donors Actively Seek a Place at the Table*

3.61 Partly reflecting the sensitivity of the issue, collaborative efforts to support state enterprises reform (SER) go back to the early 1990s. Between 1992 and 1995, the UNDP provided financing for the World Bank’s first program of support for SER. UNDP also helped finance IMF’s support aimed at strengthening financial monitoring of state

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<sup>59</sup> ADB (2001), Minutes of Consultations on Health Sector Priorities and ADB/WB Programs in Vietnam, 14 June 2001, Hanoi.

enterprises. Many bilateral agencies have financed World Bank SER activities, especially in auditing but also in equitization<sup>60</sup> and divestiture, prior to the introduction of CDF.

3.62 A working group on equitization was established in 1999 and another on SER in 2000. These working groups were merged as a single working group (WGSER) in 2001, with IFC leading the group. The 2000 CG report on *Partnerships for Development* did not include a clear statement of objectives of the WGSER, but the first meeting of the WGSER agreed that its purpose was (a) to share information and views on the status of SER in a way that would save the government's time and (b) to coordinate donor activities.<sup>61</sup> Later documents also note resource mobilization as an objective of the Working Group.

3.63 The working group was intended to be a forum for donors, the government, and NGOs. However, participation by the government and other domestic stakeholders (unions, National Assembly, business associations) remains weak. The group notes that a "weakness of the working group has been its inability to secure representation of Government on a regular basis."<sup>62</sup> Most participants are from the donor agencies, (at least prior to 2001<sup>63</sup>) with little involvement of international and domestic experts working on SER issues.

### ***Collaboration Among Donors Improved***

3.64 The partnership has been useful in a limited role of facilitating information sharing and coordination of assistance amongst donors. While meetings have been less frequent than planned, the working group has concluded that it has been "very effective in disseminating and sharing information, and in mobilizing assistance ... for both the formulation and implementation of the program."<sup>64</sup> Many donor representatives noted that one of the most important aspects of this working group was that it allowed donors to relatively easily keep abreast of latest developments with SER. They noted that it was both difficult and time consuming to obtain such information directly from the government on a bilateral basis. The working group has also been seen as useful in reducing the time spent by government officials in briefing donors about SER activities. There was broad agreement that awareness of SER activities had improved as a result of the work of the WGSER.

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<sup>60</sup> 'Equitization' is the transformation of state enterprises into joint-stock companies. As this also involved the sale of state shares to private individuals, equitization has been a form of partial privatization.

<sup>61</sup> Minutes of 1<sup>st</sup> Meeting of the Donor-Government Working Group on SOE reform.

<sup>62</sup> CG (2001), 'Putting Partnerships to Work in Vietnam,' p. 29.

<sup>63</sup> CG (2000), *Vietnam, Entering the 21<sup>st</sup> Century: Partnerships for Development*, p. 36.

<sup>64</sup> CG (2001), 'Putting Partnerships to Work in Vietnam,' p. 29.

3.65 Given that there was substantial technical assistance mobilized for SER prior to 1999,<sup>65</sup> it is not possible to attribute resource mobilization to the working groups. However, the WGSER has helped ensure that assistance has been delivered in a more coordinated way to minimize duplication of effort. The WGSER has also specifically pushed for, and helped mobilize funds, for a social safety net.

3.66 While the CG partnership report (2001, p. 29) notes that TA projects can exchange information and experience through this forum, few national and international specialists working on SER have been asked to participate in it.

### ***Government Ownership Means Setting the Pace of Reform***

3.67 The SER program is clearly nationally owned. At the same time, the government has been reluctant to engage in substantive partnership with donors and sees the WGSER primarily as a mechanism to reduce the time spent briefing individual donors and, possibly, as a vehicle for coordinating the mobilization of assistance.

3.68 SER has been the most contentious issue between the government and the donors since 1993. Unlike most other areas of reform, implementation of SER has consistently fallen behind agendas agreed with donors. There are important ideological reasons and there are important economic and political interests in the sector. These considerations, rather than economic benefit-cost analysis, have a critical bearing on what can be achieved with SER.

3.69 A major focus of policy dialogue – and the most contentious issue for many donors – has been the *pace* of SER. Most observers, however, felt that donor impact on this issue has been limited, and that implementation will require changes in the attitudes of key interest groups. Many donors felt that the government ownership of the SER was a problem because the government took only limited account of donor policy advice in formulating national SER strategies. Many donors remain concerned that the strong national commitment to state enterprises playing a leading role in key areas of the economy is a major constraint to realizing poverty alleviation and socioeconomic development goals.

3.70 The WGSER is helping donors to understand the national SER agenda, and the practical problems in implementing the program. This may help to ensure that donor support is better directed to supporting government-owned reform programs.

### ***Achievements and Lessons Learned***

3.71 National medium-term plans include specific plans for SER, but these are often written in very general terms that are difficult to monitor. Indeed, the issue of how to

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<sup>65</sup> See the lists of TA projects in CG (2000) *Vietnam, Entering the 21<sup>st</sup> Century: Partnerships for Development*, p. 40 and CG (2001), 'Putting Partnerships to Work in Vietnam,' pp. 31-32. Many of the projects were programmed and approved prior to 1998.

improve state enterprise efficiency was discussed at the Party Congress even prior to *doi moi*. Donors, and especially the World Bank, have been pushing the government to formulate a medium to long-term plan for SER since at least the mid-1990s. The preparation of such a plan was included as a condition for the second tranche release of World Bank's first Structural Adjustment Credit to Viet Nam. While a plan was produced that met this conditionality, it had limited material impact on SER.

3.72 The most recent five-year plan (2001-2005) has a more detailed agenda for SER and includes specific steps for the equalization, divestiture, and liquidation of small and medium-size business state enterprises, for improving corporate governance and efficiency of the larger ones, and for assisting workers made redundant as a result of state enterprise restructuring. While it is unlikely that the WGSER had any major impact on these plans, the need for a more clearly specified state enterprise restructuring plan was a major focus of broader dialogue between donors and the government for many years, including during preparation of the recent five-year plan, and this dialogue probably had an impact on the final outcome.

3.73 Since the major constraint to SER is political, rather than technical or financial, some Vietnamese discussants questioned whether attempts to prepare long-term plans for enterprise reform would accelerate or slow reform, noting that medium-term targets may have encouraged vested interests to resist reforms. Where quantitative targets for enterprise restructuring were set, implementation performance was well below targets. A clearer strategy for SER is gradually emerging; it includes tangible, result-oriented targets that should facilitate more effective ODA support to SER. Current development strategies are still somewhat ambiguous, however, as are the future pace, priorities, and even to some extent the direction of SER.

3.74 A number of questions were raised with respect to the usefulness of preparing long-term, comprehensive plans for this type of reform:

- Has the strong, but narrow, donor focus on SER in policy dialogue detracted attention from the need for the trade and regulatory reform to increase competition and facilitate private sector development?
- Would poverty alleviation targets have been more rapidly achieved by a broader donor focus on reforms to support domestic business development to accelerate private sector development?
- Is the focus on financing social safety nets for redundant state enterprise workers appropriate given that these workers are perceived as a relatively privileged group?

3.75 Some discussants suggested that the level of technical assistance directed through the National Steering Committee for Enterprise Reform and Development (NSCERD) raised questions about the government's commitment to donor involvement in SER. They noted that NSCERD had few permanent staff, only a limited role in enterprise level restructuring, and that its role in reforming policy and regulatory documents was mainly limited to that of coordination.



3.76 Changing attitudes and incentives were seen as crucial to accelerating SER. Discussants pointed to the value of a more informed public debate on SER, similar to that which occurred during the development and approval process of the Enterprise Law. Despite the provision for public information campaigns in donor-assisted projects dating back to 1992, little progress has been achieved in this area.<sup>66</sup>

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<sup>66</sup> UNDP financed project (VIE91/011) project on SE reform, executed by the World Bank.

## 4. Implementing the CDF Principles: Main Progress and Main Lessons Emerging

4.1 Although the term CDF is not used in the Vietnamese development debate and is difficult to translate into Vietnamese, it is widely understood that CDF addresses two broad concerns, as is reflected in the outline of this report, namely (a) the need to improve the framework for development planning and (b) the need to change the aid relationship between recipient and donor. Among donors, CDF is seen as a code of conduct for development partners --- and the PRSP process as the main testing ground.

4.2 It is difficult to categorize events and processes strictly by the four CDF principles, since they overlap and in most cases, one and the same process has aspects of more than one principle. Nevertheless, the summary below presents the evaluation team's main findings by CDF principle.

### CDF Principle: Long-Term, Holistic Development Vision

4.3 Finding from the Survey: Improvements in long-term plans observed

- Nearly 100% of respondents say that Viet Nam has experienced major adjustments in long-term strategies since 1998.
- 86% of local respondents say that objectives are more realistic, but only 16% of expatriate respondents concur with this. Similarly, 70% of locals think that plans are more holistic and balanced, while expatriates are less positive (36%).

4.4 Other findings: Development policymaking is becoming more comprehensive

- *A package of long-term visions has long been in place.* In April 2001, the 9<sup>th</sup> Party Congress approved a new 10-year development strategy: *Socio-Economic Development Strategy 2001 to 2010*. In addition, Viet Nam has formulated 5-year plans and 10-year strategies for several sectors. All provinces have 5-year plans.
- *A medium-term planning framework is not yet in place.* Viet Nam has been criticized for lacking proper mechanisms for linking annual investment budgeting to long-term plans. The initiatives taken so far have been largely donor driven and not yet been institutionalized – e.g. Public Investment Plans and Public Expenditure Reviews. It appears that government's ownership of the “PRSP-process” --- i.e., the *Comprehensive Poverty Reduction and Growth Strategy* (CPRGS) --- is stronger, and there is the expectation that this will provide an improved framework for ODA allocation in the medium term.
- *Long-term visions are very general.* This reflects the fact that planning in Viet Nam is part of a political process. Policy content has emerged from long and difficult political debates within the Party. The 10-year Strategy and the 5-year Plan are compromises between different views on reform with respect to the pace of global integration and the role of the state in the economy, which is reflected in the use of the term “socialist-oriented market economy.” The term is often

understood to refer to retaining a strong public sector and state involvement in the economy. The content of the envisaged public-private mix, however, is being debated, subject to both domestic and international pressures. Also, the Strategy reflects a widespread concern about the ability of the state to cushion the population against the adverse effects of economic liberalization and the potential of undermining the political legitimacy of the Party in the wake of growing inequities.

- *But the reform agenda has become more comprehensive.* There is clearer elaboration of strategies for private sector development, economic integration, and poverty reduction in current plans.
- *There is a need for shorter-term plans,* which help the country deal with pressing or unanticipated events such as China becoming a member of the WTO.

### **CDF Principle: Country Ownership**

#### 4.5 Findings from the survey: Moderate improvements in country ownership

- Nearly all respondents (96%) say that the role of central government in ODA management has improved. The role of the provincial authorities has also improved according to 87% of survey respondents.
- Criteria for ODA prioritization are considered very general and difficult to apply according to 53% of locals and 76% of expatriates.
- Still, donors have yet to take full account of national priorities in their assistance strategies; 35% say “to a large extent,” 55% say “moderately.”
- ODA project design is still largely donor driven; about 50% agree that this statement is “mostly correct.”
- There is wider participation in development planning. When asked, 59% say that there has been a “moderate” and 21% say a “large” broadening of stakeholder participation in project preparation.
- But there is much room for improvement. Forty-two percent say “moderate” and 39% say “little” when asked about changes in the relationship between government and the civil society/non-state sector.

#### 4.6 Other findings: Strong government ownership at policy level

- *National sovereignty has always been a cornerstone in Viet Nam’s foreign policy.* The government is sensitive to any form of aid conditionality, and it was underlined, during interviews, that “country ownership” is regarded as the most important of the four CDF principles.
- *Aid has little impact on decisions to reform.* When the multilateral finance institutions resumed their programs in 1993, the most radical reforms had already been introduced and there had been a clear acceleration in growth in economic output, employment, trade, and investment. While ODA-financed training and advice has been judged effective in aiding the Vietnamese in developing reform policies, the reform process has clearly been nationally owned. This national ownership probably is essential to its success.

- *But aid is an important source of ideas.* Several Vietnamese observers noted that there is still a limited understanding within government agencies of ODA as an instrument for change --- for transfer of technology and know-how --- and as a catalyst for mobilizing domestic resources. The government has increasingly studied international experiences and sought comments from international experts on the reform process.

#### 4.7 Other findings: National political processes becoming more inclusive

- *Planning processes have become more inclusive.* It is clearly not possible to establish consensus and a shared vision on all aspects of national politics. What matters is that the debate becomes more inclusive and the parties to the debate more informed about options and constraints and the nature of the policymaking process. In this sense, there has been considerable progress in Viet Nam in recent years. In this perspective, the process of preparing the 10-year Strategy represented an important change of approach by the government as officials circulated drafts of the document well in advance and for the first time invited comments also outside the government structure.
- *There has been a shift from government ownership to national ownership.* There is a general perception that consultation in policymaking has become more inclusive. Donors have strongly welcomed the government decree on Grassroots Democracy as an important step in broadening participation and ownership in development processes, but voiced concern about slow implementation.
- *There has been a higher degree of involvement in the ODA process.* Vietnamese non-state organizations and private sector representatives report that they have better access to information and get invited to meetings and workshops in ways that did not happen three years ago. Being allowed to participate in CG meetings is seen as a major step forward in fostering partnership with the government and donor agencies. The donor community has been playing important catalytic roles, like nurturing the Vietnam Business Forum and establishing the Vietnam Development Information Center in Hanoi. With the spread of Internet services and new websites on development issues, access to ODA-related information has been greatly improved.
- *The government has consulted people affected by ODA-financed infrastructure.* As an indirect effect of ODA, it is interesting to note that the government has decided to adjust its approach to land clearance for infrastructure projects, recognizing the need for a participatory process in order to solve resettlement problems without major popular discontent. ODA-financed projects helped trigger this process.

#### **CDF Principle: Country-Led Partnership**

#### 4.8 Findings from the survey: Aid relationship improved but coordination still weak

- 64% of the respondents say that there have been “major” improvements in the relations between government and donors; 34% classify the change as “moderate.”

- There has been significant improvement in ODA coordination and management capacity; 43% of respondents say “major” improvements, while 52% say “moderate.”
- Overlapping aid continues to be a problem. Fifty-five percent of locals say that the problem has “not reduced,” while 73% of expatriates say it has been “reduced a little.”
- Progress is noted in harmonization of procedures. Ninety-five percent of locals and 67% of expatriates are of this opinion, but respondents seem cautious about prospects for major steps of donor harmonization; 26% say this is “unrealistic” and 68% think it is “somewhat realistic.”
- Progress is also noted in sharing of information between government and donors; fifty percent note “major” improvements.
- There is broad support for the view that government should negotiate with a group of donors on strategy and individual donors on specific projects/issues (84%).

#### 4.9 Other findings: The policy dialogue has improved

- *Informal contacts are increasing.* An important factor in changing the aid relationship has been the gradual opening up of the system, in terms of sharing information and allowing access to foreigners. Until recently, public institutions have represented a rather impenetrable system to the donors.
- *Mutual confidence is improving.* Interviews with donor representatives highlighted two important changes in aid relations over the past three years. Firstly, there has been a noticeable improvement in the way the government and the donor community interact on matters of national and sectoral policies. Discussions are more open and frank. Secondly, the donors have developed a better understanding of the national planning system and come closer in accepting it as the framework for ODA, which is evidenced in statements from recent CG meetings.
- *There has been donor participation in the 10-year Strategy.* The invitation by the government to the donor community to provide comments and inputs to the 10-year Strategy has been mentioned by several as very important in forging a sense of partnership with government. The process was considerably more open and frank than had been the case in similar discussions on previous long-term strategies (1991-2000) and plans (1996-2000).
- *Partnership groups have facilitated improved dialogue with government.* UNDP and other donors took the initiative to establish a number of thematic Partnership Groups to strengthen the dialogue on policy issues and improve coordination of aid. The World Bank decided in 1999 to re-invigorate this initiative, which today includes some 20 recognized groups. Some of the groups are donor agency fora, but there are many that also involve INGOs, government representatives, and in some cases local NGOs. Government representation is limited in some groups, but there is a trend toward greater government involvement and in some cases, the government has assumed leadership. In the latter case, the Partnership Group generally has then been superseded by a more formal structure linked to a

Ministry and/or specific program – e.g., the 5 million Hectare Reforestation Program. Some groups facilitate donor participation in fora such as the Public Administration Steering Committee or the International Support Group of Ministry of Health.

4.10 Other findings: Government's aid management improving, but still weak.

- *Government-managed dialogue with donors has increased.* Hitherto, the common pattern has been one of donors taking the initiative and managing the dialogue. It is a positive development that several ministries want to establish their own mechanisms, such as the International Support Groups (ISG). These are donor funded, with extra support staff, but with prospects of being institutionalized in the ministry. A couple of ministries have also established Project Coordination Departments for ODA management (MoH and MARD). The donors need to consider ways of easing the burden of dialogue on government. One way is to clearly make Partnership Groups a mechanism for coordinating donors' participation in the dialogue, which for instance could take place through ISGs. This is what is attempted in the health sector. Donors might consider designating one donor to represent a group in dialogues with government.
- *Sector programs offer new frameworks for partnership.* There are areas where a new policy framework to direct ODA is emerging: e.g., in poverty reduction (CPRGS), forestry, and disaster management. When the Forestry Partnership Group could agree to work within the ramifications of government's 5 million Hectare Program, progress was made on developing a sector support program. It is too early to judge whether these new frameworks of partnership will lead to more effective implementation. Much will depend on government capacity, and the degree of flexibility on the part of donors. There can be a "price to pay" if donors have to hold off on disbursements until a sector approach is in place, but some donors appear willing to accept this (e.g., the World Bank's decision not to fund in the forestry sector before the strategy is in place, DFID's decision to finance everything in Vietnam jointly with others).
- *Learning by doing and increased government capacity are evident.* Central government agencies in general have become more proactive in the ODA process during the last three years. This is partly explained by enhanced capacity for interacting with donors. Language has been, and still is, a great impediment to aid cooperation. But, at least at central level, there are officers today with adequate language skills (English mainly) and considerable experience in aid management.
- *There are gradual improvements in Viet Nam's regulations for ODA management.* With Decree 17-CP of May 2001, the basic legal framework for ODA management is in place, and the donor community is now actively studying how to start harmonizing its procedures with this framework.
- *Capacity for aid coordination is improving but still weak.* Capacity has improved within MPI and sector ministries, but the main challenge for the future is at the provincial level. Only 10 out of 61 provinces, according to one observer, have adequate capacity to deal with donors.

#### 4.11 Other findings: Small steps taken by donors.

- *There is an improving working climate among donors.* The climate of cooperation among donors in Viet Nam is described as being better than in most other countries. Sharing the same problems and challenges in dealing with a strong and somewhat opaque transparent government has so for many years, probably stimulated it. A clear improvement in recent years is at the level of information sharing. There have also been more agreements on joint analytical work and more cases of joint financing, and steps toward harmonizing ODA are underway.
- *The personality factor matters.* Many observers noted the importance of having people in key positions with the skills and mandate to engage in dialogue and build trust. World Bank, with its new focus on partnership and added staff resources, has assumed an important role as convener in recent years. The personality factor signifies the importance of paying attention to staff's communication skills and duration of posting.
- *Devolution of authority to the field is also critical.* Countries and agencies that have assigned greater autonomy to their field offices (e.g., the World Bank, the Netherlands, Sweden) can more effectively engage in partnership initiatives. The "Dutch" model was pointed at as an example to follow when constructing the new ODA architecture: unify embassy and ODA; decentralize; concentrate; and use true experts.
- *There have been initial steps toward harmonization of procedures.* The government has taken significant steps, as seen in the new law on bidding being promulgated. Some recent donor initiatives are also important. The EU Cost Norms, issued in 2000, have been very useful in setting a standard on special allowances and fees related to aid projects. ADB and the World Bank have harmonized their procurement procedures and ADB, JBIC, and the World Bank undertake joint portfolio reviews. A recent study by six bilateral donors (the Utstein group) was translated into a set of commitments to be pursued in the course of 2002:
  - A clearly defined and jointly funded capacity building program to facilitate the effective implementation of Decree 17;
  - Active Government-donor working groups coordinating the longer-term harmonization process in the specific areas of monitoring reporting, evaluation, and procurement;
  - Cross learning between government representatives and the DAC task force members, following a visit to Viet Nam by the latter;
  - Better understanding of sector-wide approaches and tools such as the logical framework approach following a series of training sessions and seminars;
  - Effective use of new ODA instruments that promote harmonization and increase aid effectiveness. Examples include: multi-donor trust funds, co-financed projects and sectoral programs, and the co-financing of programmatic lending instruments such as the recently concluded Poverty Reduction Support Credit (PRSC);
  - A common assessment of the CPRGS is the framework for ODA planning. If the CPRGS represents a high-quality, strongly owned and country-led

process, then donor country assistance strategies could be developed as “action plans” lined up behind the CPRGS.

- *There is movement toward co-financing.* There is clearly a move toward more coordinated funding. Parallel funding is the most common, but there are also examples of new basket funding mechanisms. A small group of bilateral donors have stepped-up joint funding with the World Bank and ADB (e.g., UK, Sweden, Denmark, and Germany). DFID only does co-financing projects. There is also a positive trend of better coordination among lending institutions. Both JBIC and AFC report parallel funding arrangements. When the CPRGS is in place, many donors have committed themselves to adjust their aid programs to this framework. There is a multi-donor trust fund established for the Public Administration Reform. The government very much encourages this type of mechanism, and seems to value sector-wide approaches less when donors are not pooling resources.

### **CDF Principle: Results Orientation**

#### 4.12 Finding from the survey: Weaknesses in results orientation

- Locals and expatriates have opposing views on whether development targets are realistic and monitorable; 86% of locals say yes, while 70% of expatriates say no.
- Looking at the project cycle, the dominant view is that the main effort in recent years has been directed at the policy level, while the least effort has been in improving monitoring. Eighty-two percent say there has been little or no improvement in methods for assessing ODA efficiency.
- There is improvement in ODA efficiency, but only 12% rate improvement as “considerable.”

#### 4.13 Other findings: Result-based targets formulated, but accountability mechanisms are weak:

- *Targets are too ambitious.* The current national five-year plan, commenced in 2001, was based on the 10-year Strategy and outlines a set of ambitious goals to be accomplished by 2005. The core strategy is industrialization and development of service sectors, combined with integration in global markets, with a strong commitment to further reduction of poverty. This vision is based on a projected 7.5% annual GDP growth rate, which is slightly above the average during the previous five-year period. With the current slowdown in the global and regional economies, there is obviously great uncertainty associated with this target and a number of other associated targets, like an annual increase in industrial production of 14% (already for 2002) and an increase in export revenues at about 10-15% annually.
- *A process has begun of formulating targets that are more relevant to Viet Nam.* Although the work of reformulating the Millennium Development Goals (MDGs) to the Vietnamese context so far has largely been donor driven, it has started a very important debate that clearly will mobilize more government participation as



time goes on. A set of Vietnamese Development Targets, reflecting the MDGs, is being incorporated in the CPRGS.

- *There has been improvement in public information, but there is still a long way to go.* Publication of budget and expenditure data is important to accountability, and the government has taken important steps toward more openness. In 1999, the government published the National Budget for the first time. Several ministries now have Web sites. However, while ODA statistics prepared by MPI are now easily available to the public, there are complaints that government agencies are often not forthcoming in meeting requests for disclosure of planning and project documents.
- *The National Assembly is becoming more vocal.* In recent years, the National Assembly on several occasions has debated the utilization of ODA, and has commissioned its own assessments of ODA efficiency and effectiveness. Together with the media, the National Assembly appears to be the most important institution holding government accountable to development objectives and aid effectiveness.
- *Statistics are improving.* Several donors support capacity building in this area through the General Statistic Office and various research institutes. A multi-purpose household survey under preparation by General Statistics Office will be an important tool for monitoring of changes in livelihoods in the years to come.

## **5. Lessons and Issues Emerging from the Study**

### **A Need to Improve the Quality of Planning**

5.1 There was no want of visionary statements and long-term target setting in Viet Nam's central planning system. The planning process reflected a view similar to what is expressed in the CDF – that long-term, holistic planning is a necessary development instrument for a country. Everyone, including the Party and the government, is fully aware of the weaknesses and failures of the central planning system. Thus, the key issue in a CDF perspective is not the mere existence of strategies and visions, which tend to be overemphasized in CDF progress reports. Other criteria have to be met as well:

- Are important political choices expressed in an unambiguous way?
- Are the targets realistic and are they formulated in a manner that gives direction to policy where alternatives exist?
- Is there a correspondence between overall targets and various sector reforms?
- What are the linkages between long-term strategies, medium-term planning, and annual budgetary allocations?
- Does the strategy articulate widely shared political views?
- Is it a good reference point for promoting partnership and coordinated efforts among stakeholders in the development process?

5.2 There is a strong resistance from the government when donors push on policy reform, as for instance the cases of Health Sector and State Enterprise reform demonstrate. However, long-term investment in capacity building and training is welcomed and has been effective. The same applies to TA projects that have made high caliber international expertise available to Viet Nam without linking it to a donor-driven reform agenda.

5.3 Credit makes up an increasing portion of ODA, and there is a growing public debate on both the volume of lending and what to use loans for. The government position is to borrow for infrastructure and use grants for institution building and social development. This is not, of course, in line with the lending policies of the IFIs, and it remains to be seen how government will position itself on the use of loans, for instance, to finance the Public Administration Reform. There is a need to improve project evaluation and debt management capacity.

### **A Need for Government to “Rebuild” Ownership**

5.4 A crucial issue is where sovereignty ends and partnership begins. As a recipient of aid, Viet Nam has always taken a strong negotiating position even in difficult circumstances. The basic message to the first donors was: give us the money and hardware and we will do the job. Later Viet Nam had to accept greater donor involvement in projects because of capacity constraints and system inefficiencies. More recently, the government has encouraged donors to contribute to policy development.

5.5 Despite widespread recognition of strong government ownership of the broad development process, both donors and government representatives (at all levels) expressed concerns that the identification and formulation of some projects (especially technical assistance projects) were often “donor driven” with weak national ownership and commitment. According to the Ministry of Planning and Investment (MPI), Viet Nam should aim at making all feasibility studies “in-house,” and submit proposals to donors for their appraisal.

5.6 Old perceptions of ODA still persist in some areas. This is what sometimes is referred to as the “Soviet style/take what you can,” in which ODA is seen as a free gift in the form of money or goods and a source of augmenting starved budgets. There have been a few cases in the past of Government saying no to projects, and they mostly had to do with sensitive political issues.

5.7 The government places aid in the broader context of international relations and the need to be pragmatic. It welcomes better coordination of aid at an operational level, but not at the expense of diversity in bilateral relations. Clearly, competition of ideas can be healthy. Among donors that enjoy special relations with Viet Nam, for historical or other reasons, there has been a reluctance to forego these relations in favor of engaging in more multilateral relationships, although this is now changing.

5.8 On the government’s side there are mixed attitudes toward the donors’ program concepts, which reflect ambivalence with respect to what framework is best for country ownership. Some interviewees were skeptical about Sector Wide Approach Programs (SWAp) when this implies co-financing among several donors without simplifying and harmonizing procedures.

5.9 Increasing the country’s reliance on national (as opposed to international) experts would strengthen local ownership. Most Vietnamese interviewed strongly criticized the donors’ extensive, almost instinctive use of foreign consultants. The common view was that donors underestimate national expertise and that foreign consultants lack the requisite local understanding. This, in their view, is the root cause of much of the inappropriate design of many projects.

### **A Need for Donors to be Realistic on Partnership**

5.10 Some donors complain that the partnership mode of working creates demands on meager administrative resources that they cannot cope with. But there is a unanimous view that the partnership initiatives have helped create a situation in which the international community increasingly understands and is agreeing to follow Viet Nam’s long-term goals and strategy.

5.11 Some agencies feel that although the World Bank has encouraged broad participation in policy discussions, discussions on macroeconomic policy tends to remain limited to the IMF and World Bank. Participants in partnership groups on public expenditure management and state enterprise reform, however, noted that these constitute steps to improve the situation. On some sensitive policy issues, the government prefers to

limit the number of dialogue partners. Single donors need to be selective on where to engage, based on long-term commitment and comparative advantage.

5.12 Harmonization of procedures is extremely difficult in practice. While the benefits are obvious in terms of reduced transaction costs, many donors observed that changing procedures would require difficult decisions at the political/headquarters level, and even changes in national legislation. Such changes will take time if they do occur. One practical way forward, though, is for like-minded donors to harmonize as far as possible and/or to harmonize in clusters with lenders and grantors working separately.

5.13 Donors need to live up to their own advice to the government and develop longer horizons in their operations and their financial commitments. Frequent staff turnover is a major impediment to establishing strong partnerships, and to maintaining policy continuity and engaging in high quality development dialogue with the government. Donors are perceived as changing policies and preferences more rapidly than government, and suffering from the short attention spans associated with the rapid recycling of their staff and susceptibility to the latest development fad.

### **A Need to Focus More on Efficiency**

5.14 While there is a general view that Viet Nam has made considerable progress in the articulation of its reform agenda at the policy level and thereby improving aid effectiveness, there are concerns about the efficiency of ODA from both domestic voices as well as donor representative. The National Assembly has been debating problems of inefficiency, waste, and the build-up of debt. Frustrations aired by donors in previous CG meetings include:

- Slow disbursement, especially on large investment projects and loan projects;
- Problems of mobilizing counterpart funds;
- Lack of priority to social sectors;
- Need to improve information sharing between the government and donors;
- Lack of government ownership in project identification and design;
- Need for greater flexibility in adjusting plans and agreements to changing realities and learning by doing;
- Weak development administration capacity especially in aid coordination, project planning, and procurement;
- Over-centralization of authority;
- Need for more transparent budget mechanisms to better align policy choices and investment programs, including ODA;
- Need for more efficient use of international consultants;
- Need for the government to take the lead on donor coordination;
- Need for accountability and contract enforcement to meet the standards required in economic cooperation.

### **A Need for A Medium-Term Framework**

5.15 There are clearly major weaknesses with respect to the linkages between plans and actual public investments in Viet Nam. Statements of principles in planning documents cannot, for instance, prevent the drain on public resources from the larger capital investments (including the demands for counterpart funds associated with ODA commitments). The list of projects enclosed in MPI's report to the December 2001 CG meeting demonstrated a lack of priority setting, both in terms of order of importance, as well as sectoral or geographical priorities.

5.16 The missing link in Viet Nam's planning system is medium-term plans with explicit links to the state budgeting process. Donors have an expectation that the CPRGS will fill part of this gap. This depends first and foremost on which status the document will be accorded in the national planning and budgeting system. Will it become comprehensive in the sense of guiding domestic resources as well as ODA? Will it become a revolving planning process, say, every three years? The indication is that government primarily envisages the CPRGS Paper, besides fulfilling one of the requirements for further loan negotiations with the World Bank and IMF, as "an action plan" for soliciting ODA to defined government programs aiming at poverty reduction and growth.

### **A Need to Strengthen Ownership of Aid Coordination**

5.17 While there is growing consciousness at central level for more government stewardship and coordination of aid, provinces sometimes do their utmost to meet donor requests at the expense of coordination. Donors reported cases where provinces presented different lists of priority projects to individual donors.

5.18 Furthermore, some public agencies resist aid coordination. What is ownership to the MPI or Ministry of Finance is not the same at the level of a sector department. The latter would see great benefits in dealing directly with a trusted and flexible donor, rather than subordinating aid under some larger sector or national program. As the case of the health sector shows, impediments to aid coordination are as great, if not greater, within the government system as among donors.

5.19 Clearly, there have been significant improvements in the information flow regarding ODA, but so far, the sharing of information within and between ministries is still weak, and so is the flow between central and provincial/district levels. Studies of delays in implementation at project level have shown that more than 50% of time lost could be attributed to the process of getting approvals from various government agencies.

### **A Need to Improve Accountability for Results**

5.20 Setting national targets will invigorate the policy debate, but there are reasons to be modest in the expectations as to how far this will enhance results orientation in daily operations. The main problem is in developing accountability or reward mechanisms based on aggregate development indicators and long-time perspectives. Donor agencies will find it difficult to reward or penalize countries based on such measures. There is a

need to consider funding that more directly rewards results achieved by recipient organizations. Since the World Bank has stated its intention to shift from conditional loans to performance-based disbursement, there is therefore a need:

- For both the government and donors to develop mechanisms and study implications of performance-based aid;
- To link targets to concrete reform outputs – e.g., covering pre-payment schemes in health, not only improving against human development indicators; and
- To relate targets to geographical areas, not only national averages.

5.21 There is a process toward more transparency, for instance with national and local government budgets. The media, however, need to take a more active role in overseeing ODA. To date, their main attention is toward the volume of aid flows and not the results. There is a general plea for wider sharing of ODA-information—in Vietnamese and accessible to a broader range of local constituencies. One suggestion comes from national academics who would like to set-up a third-party independent technical body for review of ODA projects, especially major bidding processes. Others expressed the need for broader public debate about the effectiveness of development strategies and ODA programs.

5.22 Non-government stakeholders raised a concern that donors should be careful not to step too far back in the name of partnership. They argue that donors have a critical role to play in ensuring quality control, since the government capacity, especially at provincial level, is not yet there.

### **A Need to Minimize Parallel Systems for ODA Management**

5.23 Weak public administration, unable to cope with the rapidly increasing inflow of aid during the 1990s, caused the donors to push for enhancing their role. The government's response was to create parallel processes of managing aid projects – e.g., Project Management Units (PMU). It is an important challenge to Viet Nam to establish stronger ownership of aid management and to ensure that ODA and domestic resources are being managed in the same way.

5.24 PMUs are staffed by national civil servants, often supplemented by contracted staff. In addition, many PMUs include foreign consultants with substantial authority. The managers of PMUs have to follow a double set of procedures, being subject to both Vietnamese and donor regulations. It is a major concern that much of government's capacity building, at least at an organizational level, takes place in special aid-funded units. PMUs have their special problems in getting qualified and committed staff and in being ad hoc organizations that often find themselves fighting bureaucratic hassles with the regular administration.

5.25 There is often reluctance at a more personal level among civil servants to assume the full accountability that goes with stronger ownership of ODA. The reasons are obvious. Public sector salaries so low that staffs have to seek income by other means. This takes time and effort and is not compatible with the heavy workload of most PMUs.

Strengthening country ownership at this level, therefore, is intimately linked to public administration reform, and the ability of Viet Nam to establish a professional cadre of project managers with remuneration commensurate with the responsibility.

## **Annex 1: Vietnam–List of Agencies and Organizations Met**

### **Central Government Agencies/units**

Ministry of Planning and Investment (Mr. Duong Duc Ung)  
 Ministry of Finance (Ms. Truong Thai Phuong)  
 Office of Government, PM’s Advisory Group on External Economic Affairs (Mr. Bui Xuan Nhat, Mr. Viet Phuong)  
 Ministry of Foreign Affairs, Economic Department (Mr. Nguyen Dac Thanh)  
 Ministry of Agriculture and Rural Development (Mr. Tang Van Son)  
 MARD - Management Board for Forestry Projects (Mr. Doan Diem)  
 Ministry of Health (Mr. Pham Manh Hung, Ms. Hoang Thi Hiep, Mr. Truong Viet Dzung, Mr. Paul Hamilton, Ms. Liz Rauge Carlbom)  
 MOFA, Section for Political & Economic Affairs, HCMC office (Pham Duc Tri, Vo Thinh)  
 CEMMA (Mr. Le Kim Khoi)  
 MOLISA (Mr. Ngyuen Manh Cuong)  
 Ministry of Transport – PMU1 (Mr. Nguyen Dinh Duong)  
 Ministry of Transport – MPU18, rural transport (Mr. Dinh Hung Viet)

### **Local Government Agencies/units**

PMU – Hanoi Urban Transport project, Hanoi (Mr. Dang Tien Doan)

Peoples Committee, Ho Chi Minh City (Mr. Vu Hung Viet)  
 Department of Planning and Investment, HCMC (Mr. Trang Trung Son, Mr. Luong Van Ly)  
 ODAP Secretariat, HCMC (Ms. Le Dieu Anh)  
 PMU 415 – Tanhoa-Logom Canal Sanitation & Urban Upgrading Project, HCMC (Mr. Jan Van Lint)  
 PMU – East-West Highway project, HCMC (Mr. Ha Tien Nha, Mr. Ha Van Khanh)  
 PMU – Urban Upgrading project, HCMC (Mr. Nguyen Hoang Nhan)

Peoples Committee, Quang Nam Province (Mr. Vo Van Tien, Mr. Truong Cong Lieu)  
 Department of Planning and Investment, Quang Nam Province (Mr. Tran Kim Hung, Mr. Doan Ngoc Minh, Mr. Truong)

### **Donor Agencies/Embassies**

UNDP (Mr. Maurice Dewulf)  
 World Bank (Mr. Andrew Steer, Mr. Chris Gibbs, Ms. Nisha Agrawal, Mr. Kazi Matin, Mr. Steve Price-Thomas, Ms. Phuong Thi Minh Tran, Ms. Nguyen This May, Ms. Quyen Do Duong, Ms. Binh Thanh Vu)  
 IMF (Ms. Susan Adams)  
 WHO (Ms. Pascal Brudon)  
 ADB (Mr. Alessandro Pio, Mr. Vo Truc Dien, Mr. Ho Le Phong)  
 EU (Mr. Andrew Jacobs)



Japan Embassy (Mr. Hitoshi Ozawa)  
 JBIC (Mr. Takao Shimokawa, Ms. Van Anh Nguyenthi)  
 JICA (Mr. Akira Matsumoto)  
 GTZ (Ms. Ameli Luders, Ms. Monica Midel, Mr. Peter Sturn, Mr. Thai)  
 French Agency for Development (Mr. Philippe Lecrinier)  
 DFID (Mr. Alan Johnson)  
 Sida (Mr. Karl-Anders Larsson, Mr. Ola Möller)  
 Netherlands Embassy (Mr. Frans Makken)  
 Danish Embassy (Mr. Michael Winter)  
 Belgium Technical Cooperation (Mr. Paul Verlé)  
 SDC (Mr. Walter Meyer, Ms. Doa Minh Chau)

### **Non-State Organizations**

Vietnam Chamber of Commerce and Industry (Mr. Hoang Van Duy)  
 Vietnam Construction Association (Mr. Pham Si Liem, Mr. Nguyen Duy Chang)  
 Vietnam Economic Association (Mr. Li Quang Huy)  
 Vietnam Women's Union (Ms. Nguyen Chi Chuy)  
 Vietnam Union of Science and Technology Associations (Mr. Ho Uy Liem)  
 Vietnam Association of Construction Contractors (Mr. Vu Khoa)

Investment and Business Consultants Inc., Hanoi (Mr. Nguyen Gia Hao)  
 Omega Electrics, Hanoi (Mr. Vu Minh Tuan)  
 Investment Assistant & Business Development Co., Ltd., Hanoi (Mr. Nguyen Khac Phung)  
 Management of Investment and Training Co., Ltd., Hanoi (Mr. Bui Huy Hung)  
 VUSTA Institute of Management, Hanoi (Mr. Bui Tuong Anh)  
 Computer Communication Control Inc., Hanoi (Mr. Ngo Trung Son)

HCMC Union for Science & Technology Associations (HCMC USTA)  
 HCMC Economic and Management Association  
 Vietnam Saigon Plastic Association (Mr. Tran Cong Hoang Quoc Trang)  
 TTC – Thanh Long Co. ltd, HCMC (Mr. Huynh Thanh Chung)

### **International NGOs**

Pathfinder (Ms. Joellen Lambiotte)  
 Save the Children US (Mr. Doan Anh Tuan)  
 Action Aid (Mr. Pham Van Ngoc)

## Annex 2: Survey Results on Partnership in ODA Coordination and Management

### A. Background

1. The CDF, a set of principles—long-term—holistic development framework; country ownership; partnership and results orientation - has been intended to increase the effectiveness of Official Development Assistance in achieving sustainable poverty reduction. Although the CDF, as such, was articulated by the World Bank president in 1999, the principles on which it is based have been put into practice by a number of developing countries, among them Vietnam, for the past recent years.

2. Since late 1999, an evaluation into the implementation of CDF principles has been planned by the World Bank and it was decided that five multi-stakeholder evaluations would be conducted in five pilot countries including Vietnam. The Vietnam country study, like the other four, is aimed at (i) assessing how CDF principles are being implemented on the ground; (ii) identifying factors that have facilitated implementation of CDF principles and those that have hindered it and (iii) promoting learning and capacity development in countries where CDF principles are being implemented.

3. The evaluation in Vietnam, which lasts from 21 November to 13 December 2001, includes various activities like literature review, questionnaire survey, interviews and focus group discussions. While the last two activities were conducted with selected agencies and people, the questionnaire survey has been implemented with a large number of respondents, focusing on perceived changes on aspects related to the CDF principles. The survey was carried out in parallel with other activities of the evaluation mission and administered by CONCETTI, a local consulting company.

### B. Survey Objectives

4. The overall objective of Survey on ODA and Partnership is to better understand the *perceptions*<sup>67</sup> that may differ among various groups of stakeholders about achievements and possible setbacks in ODA coordination and management. Specifically, the survey will tell about:

- 1) Perceptions of development partners on changes related to the implementation of the four CDF principles and donors' contribution to such changes,
- 2) Issues where ODA seems to have had the greatest positive impact,
- 3) Systematic differences in perceptions, and

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<sup>67</sup> It should be noted that this survey is aimed at gathering and collating perceptions of different stakeholders on issues related to CDF principles, which will serve as an input for analysis of the CDF evaluation mission. As a result, the survey report will mostly focus on description of respondents' perception and put forward some comments on what is observed. No recommendation will be submitted.

4) Whether these may explain differences in the outcome of partnership initiatives.

5. Additionally, it is hoped that the survey will contribute to the whole evaluation in the way that it promotes learning and awareness among those surveyed in regard of CDF principles.

### C. Methodology and Implementation

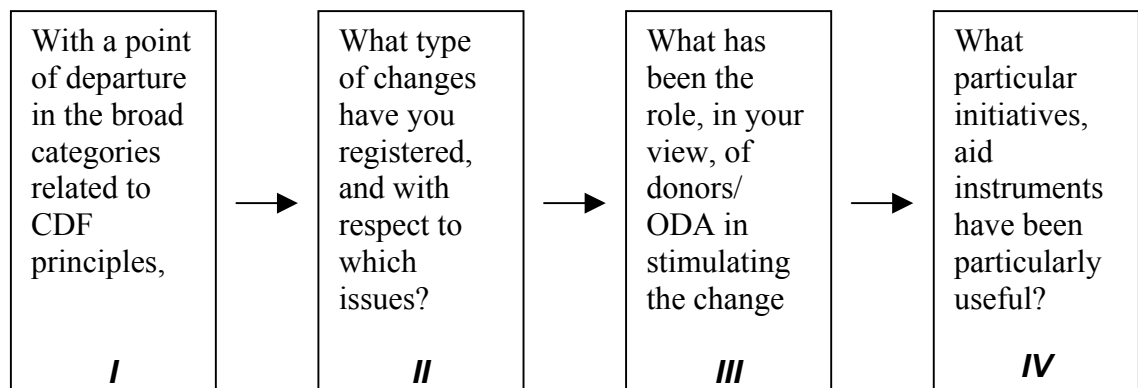
6. Survey questionnaires were sent to those surveyed via mail and by hand. In all, 290 questionnaires were distributed to three major groups of respondents that cover (i) government agencies at central and provincial levels, (ii) donor agencies and (iii) non-state entities. Government agencies and non-state agencies, which were selected for mailing purpose, are those directly involving in ODA management and coordination or benefiting from the utilization of this source of fund. The ratio of local and expatriate questionnaire recipients is 6.5 to 3.5.

**Table 1.1: Survey Sample**

Group	Specific types of agencies	Number of respondents
Government agencies	Central level ministries: Departments of Planning, Departments of International Cooperation, Project Management Units	79
	Provincial level: Departments of Planning and Investment, Departments of Transportation and Communication	71
Donor agencies	Multilateral and bilateral development agencies, international non-governmental organizations (INGOs)	105
Non-state agencies	Socio-political organizations, professional associations, non-state businesses	35

7. The survey questionnaire was developed by the local consultants in reference of logical structure and tentative questions put forward by the evaluation team leader. Most of the questions used are structured ones that were divided in four major clusters corresponding with four CDF pillars: (i) changes in policy and regulatory framework, (ii) ownership in ODA coordination and management, (iii) changes in partnership and (iv) result orientation.

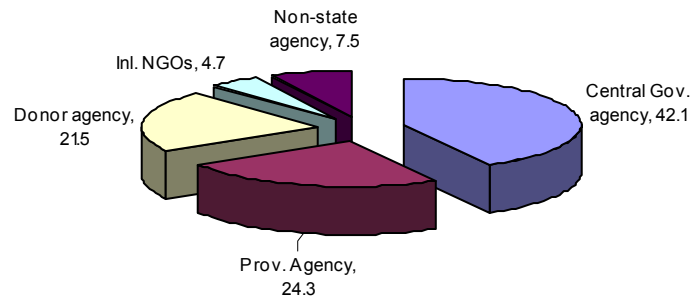
**Chart 1.1: Logical Structure in Questionnaire Design**



8. The response rate is fairly high (36.9 %) in consideration of the time constraint for the survey and the coincidence of survey implementation with year-end vacation. In fact, the latter has obvious adverse impact on feedbacks from international organizations, which was particularly low at 26.7%. Despite all the challenges, the overall positive response rate has reflected efforts of the consultants in designing questionnaire, taking follow-up actions after questionnaire sending-out as well as obtaining an introduction letter that was co-signed by Minister of Planning and Investment and World Bank's Country Director.

#### D. Respondents

9. Nearly 3/4 (73.8%) of those returning questionnaires are local respondents who work for government agencies at central and provincial level and non-state organizations. The remaining 26.2% are from multilateral and bilateral development agencies and INGOs. Non-state entities and INGOs represent the smallest groups of respondent. While the percentage of non-state respondents is understandably low given their small proportion in the mailing list,<sup>68</sup> this is not the case for INGOs which made up 17.2 % of the original roster.



**Figure 1.1: Respondents by workplace**

10. A large number of respondents, local and expatriate alike are heads of department/agency/unit. However, the proportion of those who are in management positions as such is much higher among the local group than the foreign one (75.6% vs. 44.4%). Most of local respondents (74%) are experienced in development aid with at least five years involving in the sector. The number of experience years of expatriate respondents is much lower, which is characterized by a typical duration of less than five years. Just 17.9% of this group has ever engaged in development aid in Vietnam for more than five years given their working on a term basis.

<sup>68</sup> In fact, non-state actors that directly involve in or benefit from ODA are very limited in number. When defining sample, only 35 were included in the mailing list.

**Table 1.2: Position and experience of respondents**

	Position		Year of Experience		
	Head of department agency/unit	Other types of officers	0-2 years	3-5 years	>5 years
Local	75.6%	24.4%	1.3%	24.7%	74%
Expatriate	44.4%	55.6%	39.3%	42.9%	17.9%

## Findings

### A. Long-Term and Holistic Development

11. *There is a relative similarity in perception of those surveyed on overall changes in long-term strategy.* Nearly all respondents (100% for local and 92.6% for expatriate) believed that Vietnam has experienced major adjustment in long-term strategies since 1998.

12. *Yet, when asked about specific aspects of changes in strategy, respondents showed rather differing viewpoints.* Most of local respondents perceived that the long-term strategy has clearer and more realistic objectives, embracing both economic and social issues, covering poverty reduction strategy and being more market-oriented and outward-looking. Meanwhile, expatriate respondents were more prudent in their assessment, particularly in regard of the two first aspects of changes. Just 16% and 36% of the second group thought that the long-term strategy has been set in a clearer and more realistic manner and better balanced economic, financial and structural, social and human dimensions. However, that the strategy has covered poverty reduction and is more market-oriented and outward-looking was highly agreed by all those surveyed.

**Table 2.1: Perception on major changes in long-term strategy**

	All	Local	Expatriate
Clearer and more realistic objectives	68.6%	85.7%	16.0%
Better balance between economic, financial and structural, social, and human dimensions	61.8%	70.1%	36.0%
Poverty reduction strategy incorporated into the long-term strategy	90.2%	97.4%	68.0%
More market-oriented and outward-looking	84.3%	89.6%	68.0%
Other major changes	14.7%	15.6%	12.0%

13. When it comes to concrete areas/policy issues, a majority of respondents registered the changes as "moderate," except for land administration which was mostly rated as little changed. Again, expatriate surveyees prove to be more cautious in rating the changes as "radical." The percentage of local surveyees describing changes in listed areas at this level varies from 6.1% to 44.2% while that of expatriates ranges from 0% to 29.6%. Furthermore, there are even three areas where none of the latter regarded as radically

changed, which are "*regional development strategy/planning*," "*public administrative reform*," and "*land administration*."

14. "*Rural development and poverty reduction*," "*trade reform and international integration*," "*non-state sector development*" and "*foreign investment*" are among top sectors that many regarded as changing much. However, unlike the other three first sectors that gain high consensus among local and expatriate respondents, "*foreign investment*" is one sector of contradicting opinions with just 4% expatriate (vs. 43.2% local respondents) perceiving the changes as changing. At the other extreme, "*land administration*," "*sectoral development strategy/planning*," "*regional development strategy/planning*," "*public administrative reform*," are sectors that a large number of respondents regarded as changing a little.

15. Opinions about donors' contribution to changes in specific areas/sectors are rather dispersed. Although, the largest percentage of respondents assessed the contribution in almost every sector as "*moderate*," the number of those who say so is not overwhelming. In many cases, there is a balance in the proportion of those ticking on "*moderate*" and "*a lot*" or those selecting "*moderate*" and "*little*." The perception on contribution of donors continues to vary. The proportion of local respondents who described donor contribution as "*moderate*" is mostly higher than that of expatriates and the latter are more inclined to rate the contribution as "*much*."

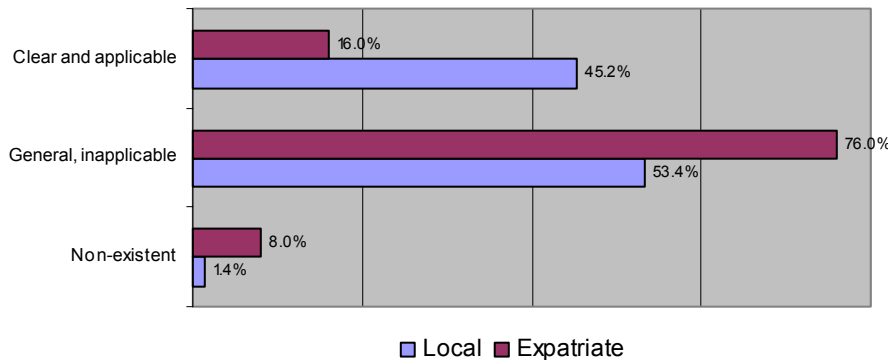
16. It is highly perceived that changes in "*rural development and poverty reduction*," "*ODA policy*," "*non-state sector development*," and "*natural resources/environment protection*" sectors are much attributed to donors' contribution. This is understandable as these sectors in fact coincide with assistance priorities of donors to Vietnam.

## **B. Country Ownership**

17. Most of those surveyed believed that the role of the central government in ODA management and coordination has improved since 1998. The degree of agreement on the improved role of ministerial, provincial/municipal agencies in this regard, however, is lower and varies among respondents. While nearly 90% of local respondents held that these agencies have shown a more active role in the domain, just 81% of expatriate counterparts shared the view.

18. Nearly 100% of respondents agreed that the criteria for prioritizing, selecting and allocating ODA projects in Vietnam are now existent but the extent of clarity and applicability of such criteria remain controversial. The largest percentage of those surveyed (59.2%) thought that the criteria do exist but are expressed in very general terms and thereby inapplicable. This, however, was not agreed by a smaller but significant number of other respondents (37.8%). While the proportion of local respondents for and against this matter is relatively balanced, expatriates proved to be particularly skeptical about the applicability of the existing system of criteria. Just 16% of the second group believed that what is now in use is clear and applicable and 8% even held that such a system of criteria has never been in place at all.

**Figure 2.1: Perception on criteria for selecting ODA projects in Vietnam**



19. It is highly agreed among surveyees that priorities and urgent needs of Vietnam at national/sectoral/local level have been taken into account and/or expressed in ODA coordination and utilization. Nevertheless, the opinions are diversified about the extent such priorities and needs have been taken into account and/or expressed at various stages of project cycle. Although “moderate” continues to be the most popular to be mentioned, those who think so are not prevailing in number (fluctuating between 50 and 60% for different stages). Except for monitoring and evaluation (M&E), other stages, say, donors’ formulation of national strategy for Vietnam, project identification, project design/preparation and project implementation were perceived by more than 30% of surveyees as embracing much priorities and urgent needs of Vietnam. M&E is a particular case where 24.2% respondents (21.6% for local and 32% for expatriate) had contrary view.

20. Project design is an important stage that decides the effectiveness and efficiency of the project and of aid as a whole. A good design is one that, among other things, reflects particular economic, social, cultural and legal characteristics of the recipient country. *Most of surveyees (97.2%) shared the opinion that these characteristics of Vietnam have been taken into account and expressed in project design.* However, just a small proportion (20% for local and 14.8% for expatriate) held that such characteristics have been paid “much” attention while a majority of 67.6% rated this as “moderate.” In this regard, there is virtually little disparity in opinions of the two groups of respondent.

21. Opinions of those surveyed on the extent of broadening the number and type of stakeholders in preparation of the project document are not much concentrated. Though the largest percentage (59.4%) held that involvement of stakeholders in the process has been moderately expanded, this is not the dominating idea. A noted proportion of 19.8% just put the broadening extent at “little.” Expatriates are more dispersed in their assessment with 46.4% selecting “moderate” while 25% and 28.6% ticking on “little” and “much.”

22. Who plays the key role in the designing projects is another aspect to be considered when assessing whether aided projects are donor-driven or country-led. So far, there remains a debate around this and it is assumed by a number of people that ODA projects in

Vietnam have mainly been designed by international consultants. *When the statement was put up for comments in the survey, assessment of respondents was rather diversified.* However, the trend is consistent in that a high proportion of respondents (82% for investment and 94.2% for technical assistance projects) found this either *very correct* or *correct to a certain extent*. Also, there is a big gap in perception of local and expatriate respondents of the dominating role of international consultants in project design. While roughly 30% of local respondents held the statement very correct for investment projects, just 4% of their expatriate counterparts shared the view. The corresponding proportions for technical assistance projects are 55.3% and 35.7%. For both kinds of projects, expatriates are more inclined to limit their assessment to “*correct to a certain extent*” rather than “*very correct*,” which is not a surprise.

**Table 2.1: Perception on the “dominance” of intl. consultant in investment project design**

	All	Local	Expatriate
<input checked="" type="checkbox"/> Incorrect	7.0%	5.3%	12.0%
<input checked="" type="checkbox"/> Very correct	23.0%	29.3%	4.0%
<input checked="" type="checkbox"/> Somehow correct	59.0%	56.0%	68.0%
<input checked="" type="checkbox"/> Hard to assess	11.0%	9.3%	16.0%

**Table 2.2: Perception on the “dominance” of intl. consultant in TA project design**

	All	Local	Expatriate
<input checked="" type="checkbox"/> Incorrect	3.8%	1.3%	10.7%
<input checked="" type="checkbox"/> Very correct	50.0%	55.3%	35.7%
<input checked="" type="checkbox"/> Somehow correct	44.2%	40.8%	53.6%
<input checked="" type="checkbox"/> Hard to assess	1.9%	2.6%	0.0%

23. Almost all local and expatriate respondents admitted that the capacity building for Government agencies on ODA coordination and management has been paid due attention since 1998. Both groups are also unified in their assessment of the extent of attention. It is quite encouraging when more than 90% of respondents believed that capacity building for ODA coordination and management agencies has been paid moderate or a lot of attention. Though “moderate” keeps being the most frequent choice, such extent of attention reflects serious efforts in enhancing capacity of aid management and coordination, which is essential for strengthening ownership of the recipient agencies and of the country as a whole.

24. It is highly agreed by respondents that ODA management and coordination capacity of Vietnamese agencies has been actually improved since 1998 but the extent of improvement differs from central to local level. While most respondents (95.2%) put the progress made by central agencies at “moderate” or “a lot,” the trend is reversing for local agencies. Just 51% of those asked rated the improvement in the capacity of the latter as “moderate” or “a lot” and surprisingly, “little” was most frequently mentioned. Expatriates kept being stricter in their evaluation of progress in ODA management and coordination capacity of Vietnamese partners.



### C. Country-Led Partnership

25. That partnerships among government, donors, civil society and non-state sector have been improved since 1998 is prevailing opinion among those surveyed. No respondent rated the relationships between the government and donors and among donors as “not improved.” The percentages of those who thought so are just 3.8% and 7.8% for partnerships between government and civil society/non-state sector and between donors and civil society/non-state sector. Overall, highest progress has been recorded in the partnership between the government and donors. The other three relationships are largely perceived as moderately improved. Local and expatriate respondents are fairly similar in their assessment of partnerships between government and donors and among donors but quite differ in consideration of the remaining two.

**Table 2.3: Perception on Improvement in Relationships of Development Partners**

	All				Local				Expatriate			
	(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)
GOV and donors	0.0	2.9	33.7	63.5	0.0	2.6	28.6	68.8	0.0	3.7	48.1	48.1
Among donors	0.0	20.6	52.9	26.5	0.0	21.3	54.7	24.0	0.0	18.5	48.1	33.3
GOV and civil society/n on- state sector	3.8	38.5	42.3	15.4	3.9	29.9	48.1	18.2	3.7	63.0	25.9	7.4
Donors and civil society/n on- state sector	7.8	29.1	50.5	12.6	7.9	31.6	51.3	9.2	7.4	22.2	48.1	22.2

[(1) Not improved; (2) Little; (3) Moderate; (4) A lot]

26. Reduction of wasteful competition among donors, specifically reduction of overlapping in aided projects is one important indicator of improved partnership underscored by CDF. *Though respondents highly agreed that the problem of project overlapping has been addressed, whether this has been reduced “a lot” or “a little” is a matter of much controversy.* Local surveyees are much more optimistic in their assessment with only 1.4% holding that overlapping has not been reduced and 55.4% believing that it has been reduced a lot. In the meantime, a dominating proportion of surveyed expatriates (73.1%) just regarded the reduction as “a little” and 19.2% even saw no reduction at all.

27. The problem of project overlapping cannot be radically dealt with as long as donors persist in their own way of doing “aid business” and refuse to remove their own “flag” from aid. When asked about the possibility that donors will take major steps in harmonizing procedures and pooling resources, respondents shown an obvious prudence in their assessment. Just 6.7% (3.9% for local and 14.3% for expatriate) believed that the possibility is realistic while the majority just put this at “somehow realistic.” A significant proportion of respondents were even more skeptical, saying that this will never happen.

28. Harmonization of procedures between the government and donors is an essential dimension reflecting partnership in “aid business.” *It is quite encouraging that 87.6% of those asked recognized progress in this area.* Yet, there is regrettably a big disparity in perception of local and expatriate respondents on the matter. While nearly all local respondents admitted achievement in procedural harmonization, just 2/3 of their foreign counterparts shared the view. Surprisingly, the disparity in perception seems to narrow down when respondents were asked to evaluate progress of harmonization at specific stages of the project cycle. Though expatriate respondents are more skeptical in registering progress made in each stage, the overall assessment is fairly similar to that of their local partners. *It was highly agreed by both groups that more progress has been made in such initial stages of project cycle as project identification, preparation and appraisal than in implementation steps like procurement/bidding, financial management/disbursement, resettlement, and monitoring and evaluation.* This is understandable as initial stages are not complicated by numerous specific regulations of each side, thus reducing the possibility of conflicting procedure.

29. Willingness to share information with each other is not only an indicator but also a prerequisite of an improved partnership. It is highly agreed by surveyees that the government and donors have been more willing to share information with each other (94.8% for local and 96.2% for expatriate). According to surveyees, this positive change can be seen at all levels but much clearer at policy dialogue and national level than at sectoral/provincial or program/project level. Least progress has been observed at sectoral and provincial level. Only 12% of those surveyed rated the progress at this level as “much” while up to 31.7% put it at “little.” Local and expatriate did not differ much on this matter though the latter, as usual, remains stricter in their assessment.

30. Whether partnership is country-led or donor-driven is much decided by the ability of the government to mobilize its resources, say, counterpart fund, to development initiatives. With 99% respondents (100% for local and 95.8% for expatriate) saying “yes,” progress in this aspect is undeniable. Yet, opinions of local and expatriate respondents were almost reversing on the extent of improvement. While the proportions of local respondents put the improvement at “little,” “moderate,” and “a lot” are in an ascending order (10.7%, 44.9% and 44.9%), it is absolutely inverse for expatriates (41.7%, 37.5% and 16.7%).

31. Partnership, when translated into practice, is reflected in the way the government and donors negotiate with each other on aid-related issues. It is believed that the government will be more successful in pursuing its development goals if able to find out and adopt an appropriate negotiating approach. In this regard, respondents showed unified and constructive attitude when mostly suggested that the government should better *negotiate with a group of donors on principles/major issues and negotiate individually on specific projects/issues.*

### **Result Orientation**

32. Except for 14% of respondents who found ODA efficiency of Vietnam little/not improved or hard to assess, a high proportion of respondents perceived that this has positively changed for the past three years. Of those who saw the improvement, the largest

number put the change at “somewhat improved,” which was followed by “clearly improved.” Just a modest proportion (12.3%) felt that ODA to Vietnam has been much more effective. Except for a particularly low proportion of expatriate respondents rating the improvement as “much” (3.7%), there is not much difference in assessment of local and expatriate respondents on this matter.

33. With nearly 100% surveyees assessing efforts by relevant sides in enhancing ODA efficiency as “moderate” or “much,” there is obviously a clearer focus on ODA effectiveness since 1998. These efforts, however, are evaluated differently by local and expatriate respondents. While the former largely puts the efforts at “much,” the latter preferred “moderate.” Also, efforts in enhancing ODA efficiency differs among various issues/project stages. Although, moderate efforts were felt at most stages, more focus has been directed toward *strategy/policy/program* and *partnership development* than other sectors.

34. One dimension that is particularly stressed by CDF is that development goals must be linked with clear and evaluable indicators. In this aspect, local and expatriate respondents were of very contradicting opinions. If the majority of local surveyees (85.5%) thought that the intended results of aided projects/programs appear to be realistic and linked to monitorable indicators, a large number of surveyed expatriates (70.4%) disagreed, holding that they are expressed in a very general term, over-ambitious and cannot be easily monitored.

35. The improvement in methods and criteria for assessing the efficiency of ODA projects for the past three years was largely evaluated by those surveyed as “moderate.” However, a significant number of respondents felt that these methods and criteria have not improved or just changed a little. Expatriates were very hard in their assessment, with 33.3% rating the methods and criteria as “a little improved” and 11.1% as “not improved.” This improvement seems to have more impact on *project appraisal* than other stages like *mid-term review* and *post evaluation*.

36. *There is not much progress in the M&E system for development projects since 1998.* Though half of respondents said that the system has moderately improved, as much as 31% of those surveyed just saw little improvement and roughly 6% even found no improvement at all. Expatriates were much more doubtful about the progress, demonstrating in the particular high percentage of respondents who had such a rating. It is not surprising that improvement has been felt stronger at national and project level than at ministerial/provincial level. Yet, *moderate* continues to be the most typical word for describing improvement in M&E for all three of these levels.

37. Though progress has been observed at various aspects of M&E, it is regretful that what was achieved has not been translated into practice. Most progress, either at “moderate” or “much,” has only been recorded in the *collection of data used for monitoring results and analysis and reporting on results of project/program implementation* rather than in the *utilization of pilot projects and trials to improve policies and mechanism*. Donors’ contribution to the progress in this aspect has been generally assessed as “moderate.”

## Conclusions

38. The Survey on Partnership in ODA Coordination and Management in Vietnam, though conducted within a limited time frame, has been positively responded by those surveyed. Respondents have frankly reflected on issues raised in the questionnaire, which helps the consultants to better understand perceptions of different development partners on changes related to CDF principles and donors' contribution to such changes. The overall conclusion from the survey is that changes at various levels have been made in most aspects concerning four CDF pillars but differently perceived by respondents.

39. *From surveyees' point of view, there are changes in almost all aspects related to CDF principles.*

- (i) It is widely agreed among those surveyed that Vietnam has experienced major adjustment in long-term strategies since 1998, demonstrating in clearer and more realistic objectives, better balance between economic and social issues, incorporation of poverty reduction strategy and more market-oriented and outward-looking direction. This has also been translated into changes in specific policies/sectors ranging from ODA policy, poverty reduction, SOEs reform to non-state sector development, public administration reform, land administration, etc.
- (ii) Improved ownership has been registered in ODA management and coordination at governmental/ministerial/provincial levels. A system of criteria for prioritizing, selecting and allocating ODA projects, though still controversial in its applicability and clarity, has already been in place. Priorities and urgent needs of Vietnam has been admittedly taken into account and/or expressed in ODA coordination and utilization. So has the particular economic, social, cultural, cultural and legal characteristics of Vietnam in project design. There has also been a broadening of the number and types of stakeholders involved in preparation of project document though the dominating role of international consultants in designing aided projects remains strongly felt by surveyees. Due attention has been paid to capacity building for government agencies on ODA coordination and management and has actually brought about improvement in this area. Finally, a more active role of the Vietnam side has been recorded through increased counter-part fund contribution by the government to programs/projects.
- (iii) There has been progress in partnership among different development partners of Vietnam, particularly between the government and donors and within donor community. Though the prospect of donors pooling resources under one aid "flag" is prudently perceived by the majority of respondents as "somehow realistic," efforts have been made by donors in reducing wasteful competition and this, in fact, has resulted in decreased project overlapping since 1998. Harmonization of procedure between the government and donor has been largely registered as improved. Both sides have shown more willingness to share information with each other. A more positive attitude toward partnership has also been recorded when the majority of respondents suggested that the government should negotiate with a

group of donor on principle/major issues and negotiating individually on specific projects/issues to be more successful in pursuing its own development goals.

- (iv) To a certain extent, Official Development Assistance in Vietnam has become more result-oriented for the past three years. There has been a clearer focus on ODA effectiveness since 1998, which has been translated into improved ODA efficiency. Aided programs/projects have planned with intended results though the way the results are formulated is still a matter of much controversy. Improvement has also been recorded in regard of methods and criteria for assessing the efficiency of ODA projects and the M&E system.

40. Though changes have been recorded in all surveyed aspects, the extent of which varies among different issues and levels. However, “moderate” seems to be the most frequent extent recorded. Except for “Land administration,” 13 out of listed issues/areas of policy have been registered as “moderately” changed. Even in cases where there was differing opinions about extent of change, “moderate” keeps being the most prevailing choice. Changes are more strongly felt at national and central level than at provincial/sectoral one.

41. Donors’ contribution to changes has been recognized by those surveyed. In most cases, opinions of respondents on the contribution are often neutral, i.e. standing neither at “little” nor “a lot.” According to a large number of those surveyed, donors have made “some” contribution to changes/progress in a wide range of areas/issues. “Rural development and poverty reduction,” “ODA policy,” “non-state sector development,” and “natural resources/environment protection” are sectors where changes are much attributed to donors’ support. Expatriate respondents are more inclined to rate contribution by donors as “a lot.”

42. ***Difference in perception has been observed in almost all issues, particularly among expatriate and local respondents.*** There is usually high agreement on major issues, but the disparity grows when it comes to specific aspects. For example, nearly 100% of local and expatriate respondents believed that Vietnam has experienced major adjustment in long-term strategy since 1998, but perceptions much differed on changes related to various dimensions of the strategy. Expatriates tend to be more prudent in their assessment. In most cases, they were more strict in rating the changes/improvement as “much.”

43. ***Though local and expatriate respondents differ on most of surveyed issues, there are not many cases of contradicting opinions.*** Such cases are almost related to issues that are somehow “sensitive” or in fact remain controversial in the development community. These issues include:

- (i) The clarity and applicability of the system of criteria for prioritizing, selecting and allocating ODA projects/programs in Vietnam;
- (ii) The dominating role of international consultants in project design, particularly in regard of investment projects;
- (iii) The reduction of overlapping in aided projects;

- (iv) The improvement in counterpart fund contribution from the government;
- (v) Efforts of relevant sides in enhancing ODA efficiency;
- (vi) The way the intended results of aided projects/programs are formulated;
- (vii) Improvement in the M&E system.



14. Natural resources/environment preservation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15. Others (specify, if any) _____ _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3. Can you specify three areas (among issues/areas of Q2) on which ODA has greatest impact?

1 \_\_\_\_\_

2 \_\_\_\_\_

3 \_\_\_\_\_

**B. Ownership in ODA coordination and management**

4. Have you noticed any improvement in the role of the government in ODA coordination and management since 1998?

Yes       No

5. Have you noticed any improvement in the role of the ministerial/provincial/municipal agencies in ODA coordination and management since 1998?

Yes       No

6. How do you assess the existing system of criteria for prioritizing, selecting, and allocating ODA projects in Vietnam?

- Such criteria cannot be assessed as they do not exist
- Such criteria exist but are expressed in very general terms, thus inapplicable
- Such criteria are clear and applicable

7. Have priorities and urgent needs of Vietnam (at national/sectoral/local level) been taken into account and/or expressed in ODA coordination and utilization?

Yes       No

If yes, to what extent have they been taken into account and/or expressed various stage of project cycle?

Stages		Extent		
		Little	Moderate	Much
1.	In donors' formulation of national assistance strategy for Vietnam	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.	In project identification	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.	In project design/project document preparation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.	In project implementation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.	In project monitoring and evaluation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



8. Have particular economic, social, cultural, and legal characteristics of Vietnam been taken into account and expressed in project design?

Yes                       No

If yes, to what extent?

Little                       Moderate                       Much

9. To what extent have the stakeholders been involved in or consulted with in the preparation of project document?

Little                       Moderate                       Much

10. Some people believe that ODA projects in Vietnam have chiefly been designed by international consultants (and Vietnamese side just plays the role of information provider) and so aided-projects are still donor-driven.

In your opinion, how is it correct in the following cases:

a. For investment projects

Incorrect                       Very Correct                       Correct to a certain extent                       hard to assess

b. For technical assistance projects

Incorrect                       Very Correct                       Correct to a certain extent                       hard to assess

11. Has the capacity building for government agencies on ODA coordination and management been paid due attention since 1998?

Yes                       No

If yes, to what extent?

Little                       Moderate                       A lot

12. How has ODA coordination and management capacity been improved since 1998?

1. At central level                       Little                       Moderate                       A lot

2. At local level                       Little                       Moderate                       A lot

**C. Changes in partnership**

13. In your opinion, how have the following relationships been improved since 1998?

	Extent of improvement			
1. Between government and donors	<input type="checkbox"/> Not improved	<input type="checkbox"/> Little	<input type="checkbox"/> Moderate	<input type="checkbox"/> A lot
2. Among donors	<input type="checkbox"/> Not improved	<input type="checkbox"/> Little	<input type="checkbox"/> Moderate	<input type="checkbox"/> A lot
3. Between government and civil society/non-state sector	<input type="checkbox"/> Not improved	<input type="checkbox"/> Little	<input type="checkbox"/> Moderate	<input type="checkbox"/> A lot

14. To what extent has the problem of overlapping between aided-projects been reduced since 1998?

- Reduced a lot     Reduced a little     Not reduced

15. Have you noticed any improvement in the harmonization of procedures between the government and donors?

- Yes                       No

If yes, in any of the following stages?

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> Project identification | <input type="checkbox"/> Procurement/bidding   | <input type="checkbox"/> Monitoring and evaluation |
| <input type="checkbox"/> Project preparation    | <input type="checkbox"/> Finance, disbursement | <input type="checkbox"/> Other (please specify)    |
| <input type="checkbox"/> Appraisal, negotiation | <input type="checkbox"/> Resettlement          | _____  |
|   |  | _____  |

16. Do you feel any improvement in the willingness of sharing information between government and donor agencies?

- Yes                       No

17. To what extent has the willingness to share information between government agencies and donors been improved at the following level since 1998?

		Extent of improvement			
1.	Policy dialogue	<input type="checkbox"/> Not improved	<input type="checkbox"/> Little	<input type="checkbox"/> Moderate	<input type="checkbox"/> A lot
2.	National level	<input type="checkbox"/> Not improved	<input type="checkbox"/> Little	<input type="checkbox"/> Moderate	<input type="checkbox"/> A lot
3.	Sectoral/provincial level	<input type="checkbox"/> Not improved	<input type="checkbox"/> Little	<input type="checkbox"/> Moderate	<input type="checkbox"/> A lot
4.	Program/project level	<input type="checkbox"/> Not improved	<input type="checkbox"/> Little	<input type="checkbox"/> Moderate	<input type="checkbox"/> A lot

18. In your opinion, how has counterpart fund contribution by the government to programs/projects been **improved** since 1998?

- Little                       Moderate                       A lot                       Not improved

19. In your opinion, to be more successful in pursuing its own development goals, which of the following approaches should the government adopt when negotiating with donors?

- Negotiating with donor individually
- Negotiating with different groups of donors
- Negotiating with a group of donors on principles/major issues and negotiate individually on specific projects/issues
- Negotiating simultaneously with all donors

20. Some argue that aid to Vietnam is less effective because there are too many donors with different priorities and procedures. How do you assess the possibility that donors will take major steps in harmonizing procedures and pooling resources, and thereby removing their own “flag” from aid?

- Realistic       Somewhat realistic       Far from realistic       Unrealistic

**D. Result orientation**

21. To what extent has ODA efficiency in Vietnam been improved since 1998?

- Little/not improved  
 Somewhat improved  
 Clearly improved  
 Much improved  
 Hard to assess

22. How do you assess efforts by relevant sides in enhancing ODA efficiency since 1998?

- Little       Moderate       Much

23. Such efforts, if any, have been geared toward what of the following stages/issues and to what extent?

Stages/issues		Extent of improvement		
		Little	Moderate	Radical
1.	Strategy/policy/program	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.	Partnership development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.	Procedure harmonization	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.	Project identification	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.	Project preparation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.	Appraisal, negotiation, conclusion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.	Project implementation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.	Project monitoring and evaluation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.	Enhancement of Vietnam’s project management capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.	Information sharing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

24. When you look at aid-financed projects/programs, how do you find the way the intended results are being formulated?

- They are expressed in a very general term, over-ambitious and cannot be easily monitored  
 They appear to be realistic and linked to monitorable indicators



**E. Personal information**

28. Which type of agency are you working for?

- Central government agency
- Provincial agency
- Donor agency
- International NGO
- Non-state agency

29. What is your present position in the agency?

- Head of department/agency/unit
- Other type of officer

30. How long have you worked with develop aid in Vietnam?

- 0 - 2 years
- 3 - 5 years
- More than 5  
years

## Annex 4: Interview Guide for Interviews with Development Agencies

Name of agency: \_\_\_\_\_

Name of respondent: \_\_\_\_\_

Designation: \_\_\_\_\_

Contact (phone, e-mail): \_\_\_\_\_

	Questions	Answers
<b>Opening questions</b>		
	<p>Is your agency involved with CDF activities?</p> <p>In what way?</p>	
	<p>What is your understanding of the principles?</p> <p>Does your agency embrace the CDF principles?</p> <p>Which principle is the most important or relevant to you?</p>	

**If necessary, give a short summary of the four pillars. Explain that we would like to address these in the interview in the following order:(1) partnership, (2) country ownership, (3) long-term, holistic vision, and (4) result orientation.**

For the successful implementation of country-led development policies, it is necessary to foster **partnerships** among government, development agencies, private sector and civil organizations. In particular, CDF underscores the need for international development agencies to align their actions to the national strategy, reduce wasteful competition, and harmonize their procedures.

**Country ownership**, which means that a country's government needs to be in the driver's seat, owning and directing the development agenda. This has at least two important dimensions, firstly, the government's ability to manage the relationship with foreign agencies (multilateral, bilateral, and private), and secondly, the ability of government to mobilize broad-based domestic support for its vision.

A country needs to have a **long-term and holistic vision** of its development needs and ways to address them. This vision ought to be reflected in a country's medium-term development plans (3- to 5-year), and be outlined in vision statements and strategy documents with a longer perspective issued by government and parliament. The vision needs to embrace both key economic and social issues, formulate concrete goals, articulate priorities, be realistic, and cover inter-linkages between sectors.

CDF stresses the need to become more **results oriented**. Development goals have to be linked with clear and evaluable indicators. It is a particular concern of the World Bank that goals and indicators reflect a clear focus on more effective and sustainable poverty reduction.

<b>Country-Led Partnership</b>	
<b>The Willingness and Ability to Coordinate</b>	
	<p>To what extent does your agency formulate its country strategy with reference to larger frameworks for development planning?</p> <p>What are these frameworks?</p> <p>Prepared by government?</p> <p>Initiated by donors, such as CDF, PRSP, and United Nations Development Assistance Framework (UNDAF)?</p>
	Has your agency become ore selective as a result of this?
	Has your agency's country strategy and programs become more long-term as a result of this?
	In your view, to what extent does the donor-initiated frameworks take as a starting point Vietnam's own strategy?
	In your view, to what extent are the donor-initiated frameworks coordinated?
	<p>Overall, has aid coordination at different levels improved since 1998?</p> <p>Which are the important mechanisms?</p> <p>What is the result?</p>

<b>Bilateral relationships vs. multilateral cooperation</b>	
	<p><i>Individual donor countries have concerns about visibility, and about their freedom to frame their development cooperation policies in the context of their overall foreign and trade policies.</i></p> <p>Some aid receiving countries are used to working with specific partners on certain issues and may prefer to continue to do so.</p> <p>What are your views on these dilemmas?</p>



<b>Joint Financing</b>		
	<p>Has your agency taken steps toward basket funding mechanisms involving several donors?</p> <p>Who are the other donors involved?</p> <p>What % of your aid has shifted to basket funding in the last two years?</p> <p>Has your agency merged financial reporting procedures with other donors?</p>	
	<p>What do you observe as the view of government and sector ministries on basket-funding?</p>	
	<p>What are the costs/problems of co-financing measures?</p>	
<b>More Effective ODA Management</b>		
	<p>Are steps being taken by your agency to reduce transaction costs to government of ODA management?</p> <p>Do you have evidence of changes made and their effects in any of the following areas?</p> <ul style="list-style-type: none"> <li>– Set-up and management of Project Management Units for aid financed projects/programs</li> <li>– Joint missions</li> <li>– Procurement and bidding</li> <li>– Environmental assessment and social safeguards</li> <li>– Financial management and accounting</li> <li>– Evaluation and audit</li> </ul>	
	<p>In your view, are donors willing to harmonize procedures?</p> <p>With one another?</p> <p>With national procedures?</p> <p>Examples where donors attempt to build up or legitimize national procedures by using them in project work</p>	
	<p>Did your agency follow-up on any of the recommendations of the Transaction Costs study?</p>	

<b>Broadening Participation in ODA Programmes/projects</b>	
	<p>To what extent has your agency taken a more participatory approach to designing assistance strategies?</p> <p>Which actors are involved now that weren't before?</p> <p>What is the impact or outcome of their involvement?</p>
	<p>Is there participation of civil society, private sector and other third parties in the project cycle?</p> <p>At what stages?</p> <p>What are the forms of participation being used?</p> <p>Who is participating?</p> <p>Is your agency demanding certain forms of participation?</p>
<b>In-house Changes</b>	
	<p>To what extent has your agency decentralized authority to the field facilitates?</p>
	<p>Does principles of partnership, of CDF, imply a new way of working for your staff at all levels?</p> <p>What are these new ways?</p> <p>What are the impediments? Do you have to change incentives?</p> <p>Have you changed the type of staff you hire?</p>

<b>Country Ownership</b>	
<b>What is Ownership?</b>	
	<p>Is there a common understanding of what this is?</p> <p>What does country ownership mean to you in practice?</p> <p>Do you feel there is country ownership of:</p> <ul style="list-style-type: none"> <li>– Larger development frameworks – PRSP?</li> <li>– Aid coordination, CG processes?</li> <li>– Project initiation and design?</li> <li>– Project management?</li> </ul>
	<p>What are critical factors that determine real ownership?</p> <p>What factors in your daily work would you emphasize as the most important:</p> <ul style="list-style-type: none"> <li>– Control of funds</li> <li>– Controlling the timetable</li> <li>– Controlling procurement and contracting</li> <li>– Whose procedures are to be followed</li> <li>– Whose guidelines have the final say (e.g. environmental assessment)</li> <li>– Who initiates projects</li> <li>– Who writes the plans</li> </ul>
	<p>What is the meaning of “country ownership” at sub-national level?</p> <p>Does increased ownership at a national level lead to same at the local level?</p>

	<p>What are the most important things ODA agents should do to foster country ownership? E.g.</p> <ul style="list-style-type: none"> <li>- Project identification</li> <li>- Financing procedures</li> <li>- New incentives</li> <li>- Accountability</li> <li>- Staffing decisions</li> </ul>	
	<p>How would you summarize the <i>benefits</i> of country ownership? E.g.</p> <ul style="list-style-type: none"> <li>- Better project quality</li> <li>- Better institutional sustainability</li> <li>- Increased transparency</li> </ul>	
	<p>But there are probably <i>costs</i> involved as well? E.g.</p> <ul style="list-style-type: none"> <li>- Additional pressure on national staff</li> <li>- Decreased donor funding</li> <li>- More turf battles</li> <li>- Corruption</li> <li>- Less technical input</li> <li>- Disbursement delays</li> </ul>	
<b>Evidence for shifts in power and influence in aid relationships</b>		
	<p>Why do you think this is or isn't happening? Is there a difference among donors in this regard?</p> <p>What has your agency done to promote country ownership?</p> <p>What is the result?</p> <p>What helped, hindered? What have you "given up"?</p>	

Who sets the agenda?	
<p>Is there a stronger country involvement in upstream <i>analytical work</i>?</p> <p>Who defines the research agenda?</p> <p>Does analytical work, from whatever source, feed into the country's formulation of its vision and sectoral policies?</p> <p>Are donors providing effective strategic support for building national analytical capacity?</p>	
<p>What are the trends in terms of donor involvement in <i>policy formulation</i>?</p> <p>How does government involve your agency in formulation of national policies?</p> <p>Has central government and donors allowed the time and space for dialogue to take place?</p> <p>How does your agency involve itself in issues of long-term policies?</p> <p>Does your agency apply conditionality related to content of policies?</p> <p>Does your agency apply conditionality related to the process of policy development in Vietnam?</p>	

<b>Long-term, Holistic Development Framework</b>	
<p>In your view, has there been a development toward more comprehensive development strategies to which donors can relate to – overall or in particular sectors?</p> <p>What are the relevant documents?</p> <p>How does your funding fit within sector strategies?</p>	
<p>What role did donors play in the preparation of these documents?</p> <p>Your agency, in particular?</p>	
<p>Have you observed any major changes in the government planning and budgeting mechanisms?</p> <ul style="list-style-type: none"> <li>– Has there been a shift in the target setting?</li> <li>– Has there been an increase in horizontal planning and cross-ministerial discussion?</li> <li>– Has there been any change in investment priorities?</li> </ul> <p>How would you explain any major changes?</p> <p>Did CDF have an impact?</p>	

<b>Results Orientation</b>		
	<p>What steps are taken to formulate specific targets related to national and sector development plans?</p> <p>In which documents are they being formulated?</p> <p>Has your agency been involved?</p> <p>Do you consider the targets realistic and monitorable, and therefore representing an improved planning process?</p>	
	<p>Have projects/programs funded by your agency become more result oriented?</p> <p>Give an example?</p>	
	<p>To become result-oriented depends less on formulating targets than on ones ability to observe results and to learn from this.</p> <p>Do you see changes in your own agency with respect to monitoring and institutional learning?</p> <p>Do you see changes on the Vietnamese side with respect to monitoring and institutional learning?</p>	