

Hanoi Core Statement on Aid Effectiveness¹ Ownership, Harmonisation, Alignment, Results

Background Statement

We, the Government of Vietnam and development partners, agree to take far-reaching and monitorable actions to make aid more effective as we look ahead to the achievement of Vietnam's Development Goals (VDGs) by 2010, and the Millennium Development Goals (MDGs) by 2015². We recognise that while volumes of aid and other development resources are increasing to achieve the VDGs, aid effectiveness must also increase significantly to support Vietnam's efforts to strengthen governance, to improve development performance, and to enhance development outcomes. We agree to localise the conclusions of the High Level Forum on Aid effectiveness held in Paris in March 2005 ("The Paris Declaration") to reflect circumstances in Vietnam. We resolve to increase the impact of aid in reducing poverty and inequality, increasing growth, building the capacity of human resources and institutions, and accelerating achievement of the VDGs.

Partnership Commitments

Developed in a spirit of mutual accountability, these Partnership Commitments reflect the ambitions and structure of the Paris Declaration and build on the on-going efforts and experiences of development in Vietnam.

1. OWNERSHIP

Vietnam defines operational development policies

1. The Government of Vietnam exercises leadership in developing and implementing its 5 Year Socio Economic Development Plan (SEDP) through a broad consultative processes which integrates overseas development aid into mainstream planning (**Indicator 1**).
2. The Government of Vietnam further strengthens its leadership role in co-ordinating aid at all levels.

2. ALIGNMENT

Donors align with Vietnam's strategies and commit to use strengthened country systems

3. Donors base their support on the Government of Vietnam's SEDP and related national, regional and provincial, and sectoral plans (**Indicator 2**).
4. Donors base dialogue on the poverty reduction and growth agenda articulated in the SEDP.
5. The Government of Vietnam and donors establish mutually agreed frameworks that provide reliable assessments of country systems, procedures and their performance.

¹ "Hanoi Core Statement" has been agreed by the delegations present at The Mid-term Consultative Group Meeting for Vietnam, held in Can Tho city on June 2-3, 2005.

The Vietnamese delegation was led by His Excellency, Deputy Prime Minister Vu Khoan with the participants of Representatives from Ministries and agencies including Ministry of Planning and Investment, National Assembly's External Relations Committee, Party Central Economic Committee, Office of Government, State Bank of Vietnam, State Inspectorate, Ministry of Trade, Ministry of Education and Training, Ministry of Health, Ministry of Justice, Ministry of Transport and Ministry of Home Affairs. Provincial and Municipal authority leaders from Can Tho, Long an, Kien Giang, An Giang, Bac Lieu, Ben Tre, Hau Giang, Ca Mau, Dong Thap, Soc Trang and Tra Vinh also attended the Meeting.

The donors from different nations and international organization attending the Meeting included Australia, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Hungary, Ireland, Italy, Japan, Korea, Luxembourg, the Netherlands, New Zealand, Norway, Singapore, Spain, Sweden, Switzerland, Thailand, the United Kingdom, the United States, the European Commission, the Asian Development Bank, International Finance Corporation, International Monetary Fund and the United Nations Development Program. Attending as observers were delegations from other international organizations and international non-governmental organizations in Vietnam.

² Vietnam's progress in meeting the MDGs was presented to the UNGA Summit in New York in September 2005.

6. Donors use country systems and procedures to the maximum extent possible. Where use of country systems is not feasible, donors establish additional safeguards and measures in ways that strengthen country systems and procedures (**Indicator 5, 6 and 8**).
7. Donors avoid creating parallel structures (PMUs) for day-to-day management and implementation of aid-financed projects and programmes (**Indicator 3**).
8. Donors phase out paid incentives for government officials administering aid financed activities and do not establish incentives in future activities.

Vietnam strengthens institutional capacity with support from donors; donors increasingly use government systems

9. The Government of Vietnam integrates capacity building objectives in the SEDP and related national, regional and provincial, and sectoral plans and leads a comprehensive capacity building programme with co-ordinated donor support (**Indicator 4**).
10. The Government of Vietnam undertakes reforms, such as public administration reforms (PAR), that promote long-term capacity development.
11. The Government of Vietnam undertakes reforms to ensure that the legal framework, national systems, institutions and procedures for managing aid and other development resources are effective, accountable and transparent.
12. The Government of Vietnam and donors commit sufficient resources to support and sustain reform and capacity building in public procurement and public financial management.
13. Donors progressively rely on the Government of Vietnam's procurement system once mutually agreed standards have been attained (**Indicator 5**).
14. Donors progressively rely on the Government of Vietnam's public financial management system once mutually agreed standards have been attained (**Indicator 6**).
15. The Government of Vietnam publishes timely, transparent and reliable reports on budget planning and execution (**Indicator 6**).
16. Donors enhance the predictability of future aid through transparent decision making processes, provide reliable indicative commitments of aid over a multi-year framework (including aid commitments covering multi-year expenditures of projects) and release aid in a timely and predictable fashion in relation to the Government of Vietnam's budget cycle (**Indicator 7**).
17. The Government of Vietnam, supported by donors, develop specialised technical and policy capacity for social and environmental analysis (SIA and EIA) and enforcement of legislation (**Indicator 8**).

3. HARMONISATION AND SIMPLIFICATION

Donors implement common arrangements and simplify procedures

18. The Government of Vietnam and donors jointly conduct and use core diagnostic reviews such as Country Financial Accountability Assessment (CFAA), Public Expenditure Review (PER), Country Procurement Assessment Report (CPAR), etc, and the Government of Vietnam and donors work together to share other reviews and carry out more joint reviews (**Indicator 9**).
19. Donors rationalise their systems and procedures by implementing common arrangements for planning, design, implementation, M&E and reporting to Government of Vietnam on donor activities and aid flows (**Indicator 10**).
20. Government of Vietnam and donors increasingly use programme based approaches (Defined in Box 3.1, Chapter 3 "Sector Approaches" of Harmonising Donor Practices for Effective Aid Delivery, Volume 2 (OECD, 2005))³ (**Indicator 11**).
21. Decentralisation and delegation of authority to the country level is maximised for each donor (**Indicator 12**).

³ In this definition programme-based approaches share the following features irrespective of aid modalities: i) Leadership by the host country; ii) Single Comprehensive programme and budget framework; iii) Formalised process for donor co-ordination and harmonisation of procedures; and iv) Efforts to increase use of local systems for the whole project cycle.

Complementarity: more effective division of labour

22. The Government of Vietnam provides clear views on donors' comparative advantage, different aid modalities and on how to achieve donor complementarity at country or sector level.
23. Donors make full use of respective comparative advantage at sector level by aligning support and agreeing, where appropriate, lead donors for co-ordinating programmes, activities and tasks, including delegated co-operation.

Incentives for collaborative behaviour

24. Government and donors devise practical means to encourage harmonisation, alignment, and results based management.

4. MANAGING FOR RESULTS

Managing resources and improving decision-making for results

25. The Government of Vietnam and donors jointly use results-oriented performance assessment frameworks to maximise aid effectiveness and manage implementation of the SEDP and related national, regional, provincial and sectoral plans (**Indicator 13**).
26. Donors link country programmes and resources to achieve results that contribute to, and are assessed by, Government of Vietnam performance assessment frameworks, using agreed indicators.

5. MUTUAL ACCOUNTABILITY

Government of Vietnam and donors are accountable for development results

27. The Government of Vietnam and donors jointly assess, and carry out annual independent reviews, on progress in implementing agreed commitments on aid effectiveness and improved development outcomes through existing and increasingly objective country level mechanisms (**Indicator 14**).
28. Donors provide timely, transparent and comprehensive information on aid flows and programme intentions to enable Government of Vietnam to present comprehensive budget reports to legislatures and citizens, and co-ordinate aid more effectively.

HANOI CORE STATEMENT INDICATORS AND TARGETS

	Indicator	Indicative Targets to 2010⁴
	Ownership	
1	5 Year Socio-Economic Development Plan (SEDP) is finalised, CPRGS principles are integrated; SEDP is effectively implemented.	5 Year SEDP targets are achieved
	Alignment	
2	Donor assistance strategies are aligned to the SEDP and related national, regional, provincial and sector strategies	All donor assistance strategies
3	Donors strengthen GoV capacity by avoiding parallel PMUs	No parallel PMUs
4	Capacity building objectives are clearly set out in the SEDP and related national, regional, provincial and sector strategies, and PAR. GOV and partner agencies lead comprehensive capacity building programmes with co-ordinated donor support – <i>Percent of aid for capacity building per se delivered through partner-led and coordinated programmes</i>	100% partner-led and coordinated programmes
5	Public procurement systems are strengthened to mutually agreed standards taking into account such recommendations as CPAR, PAR – <i>Percent of aid flow and percent of donors using GoV procurement systems.</i>	At least 50% of aid flows and at least 50% of donors channelling at least 50% of their funds through country systems
6	a) Public financial management systems strengthened and PER / CFAA recommendations are implemented b) GoV publishes timely, transparent and reliable reporting on budget execution, audited by State Audit of Vietnam in accordance with INTOSAI ⁵	At least 50% of aid flows and at least 50% of donors channelling at least 50% of their funds through

4 Targets may be modified following finalisation of the Indicators of Progress (Part III of the Paris Declaration). Interim targets to be established in the V-HAP.

5 International Organisation of Supreme Audit Institutions (INTOSAI).

	<i>Percent of aid flows and percent of donors that use the national budgeting, financial reporting, and auditing system.</i>	country systems
7	More predictable aid – <i>Percent of aid disbursed according to agreed schedules in annual or multi-year frameworks</i>	75% of aid disbursed on schedule
8	GoV and donors improve environmental and social safeguards – <i>Percent of EIAs and SIAs implemented to international standards and using government systems</i>	At least 100% of EIAs and SIAs under donor funded projects implemented to international standards and at least 30% of these carried out using government systems.
Harmonisation and Simplification		
9	Fewer, better, core diagnostic and country analytical reviews of Vietnam’s development needs. – <i>Percent of country/sector diagnostic reviews and studies used by 2 or more donors.</i>	Core diagnostic reviews used by all donors; at least 75% of country analytical reviews used by 2 or more donors
10	Common project cycle management tools agreed and used throughout the project/programme cycle (planning, design, implementation, management reporting etc.) – <i>Percent of donors using common project/programme cycle tools</i>	At least 50% of donors
11	Donor interventions are co-ordinated within GoV-led policy and sector frameworks, including general / sector budget support and project modalities. The % use of different aid modalities (by volume) will be monitored each year	At least 75% of aid is national or sector programme based
12	Donors enhance capacity of country offices and delegate authority to them – <i>Percent of donors and aid interventions that are managed at the country level</i>	At least 75% of aid interventions
Managing for Results		
13	Results framework developed and used to assess the performance of the SEDP and sector programmes – Composite score based on 4 characteristics of a results-oriented framework (objectives, availability of indicators, M&E capacity and information use in decision making)	Score of 3 based on DAC criteria ⁶ and continuous monitoring
Mutual Accountability		
14	Periodic mutual assessment of progress in implementing agreed commitments on aid effectiveness	Annual assessment

⁶ This is based on the OECD DAC scoring system detailed in their questionnaire “Baseline Survey Paris Declaration on Aid Effectiveness, 2005”.