



# "Strengthening Ownership to Improve Aid Effectiveness - the Case of Vietnam"

by

**Pham Thi Thanh An**

Ministry of Planning and Investment, Vietnam

prepared for

## ***Ownership in Practice***

**Informal Experts' Workshop**

27-28 September 2007

Part of the OECD Global Forum on Development  
[www.oecd.org/development/globalforum](http://www.oecd.org/development/globalforum)

*The opinions expressed and arguments employed in this document are the sole responsibility of the author and do not necessarily reflect those of the OECD, its Development Centre or of the governments of their Member countries*

## **Strengthening Ownership to Improve Aid Effectiveness - the Case of Vietnam**

*By Pham Thi Thanh An<sup>1</sup>*

Ownership has long been considered as one central pillar to enhancing aid effectiveness. From Rome to Paris High-Level Forum, the popular Aid Effectiveness Pyramid has constantly placed Ownership over other building blocks, such as Alignment and Harmonisation, reflecting the explicit acknowledgement of the degree with which aid quality could be improved once partner countries exercise an effective leadership role over their development agenda.

The Paris Declaration assesses ownership from two primary aspects: first, partner countries' capacities to have national development strategies with "clear strategic priorities linked to a medium-term expenditure framework and reflected in annual budgets", and second, their abilities to coordinate various development actors and efforts. With regard to development strategies, according to the recently-published OECD Survey of Paris Declaration (PD) Monitoring, only 17% out of the surveyed partner countries<sup>2</sup> are classified as having strategies "largely developed towards achieving good practice" against the far-reaching set target of 75% for 2010. In terms of coordination capacity, the Survey noted the overall positive trend for surveyed countries. At the same time, it also acknowledged that this dimension of ownership was, in many ways, paradoxically dependent on donors' willingness to be led and coordinated at the country level.

In this paper, I will discuss this two-way paradox of ownership through relating to the experience of Vietnam. In addition to sharing what the country has done and can further do, it will highlight the practical challenges confronting Vietnam, and probably many other developing nations, in exercising ownership for better development outcomes. On such foundations, I hope to provide some practical contributions to the ongoing discussion about the Paris Declaration measurement of ownership. The paper is structured as follows: 1. A Snapshot of Vietnam Aid Profile and the Position of Ownership in National Aid Policies; 2. Improving Aid Effectiveness in Vietnam – Key Progress and the Role of Ownership and 3. Challenges of Ownership.

### **A Snapshot of Vietnam Aid Profile and the Position of Ownership in National Aid Policies.**

Vietnam is a relatively young recipient country. Its formal aid relationship with the western world in the post-cold-war era did not start until 1993 when the first Donor Conference for Vietnam was held in Paris. Despite this fairly short history, Vietnam has generally been regarded as an effective model of using aid resources for development purposes (The World Bank. 1998. "Assesing Aid: What Works, What Doesn't, and Why"). In fact, during this period, ODA has become one of the three major capital sources beside domestic funds and FDI inflows. It has also played a recognised role in sustaining the country's high economic growth and contributing to the reduction of poverty rates by half, thus setting Vietnam as an early achiever of the Millenium Development Goals (MDGs).

This positive record has somehow made Vietnam a popular place for donors, whilst at the same time, tested the country's ability to deal with donorship. With over fifty operational donors in place, the country is

---

<sup>1</sup> *The author has served ten years in the Ministry of Planning and Investment of Vietnam where she was assigned the task of Coordinator for the Partnership Group on Aid Effectiveness, the unique partnership platform and the high-level policy forum for all aid effectiveness-related discussions set up in late 2003. Ms. An also handled the Task of the National Coordinator for Paris Declaration Monitoring and until very recently, has been serving as the Co-chair of the OECD DAC Joint Venture on Monitoring Paris Declaration and Co-chair of the Reference Group for Paris Declaration Evaluation.*

<sup>2</sup> *This includes Vietnam.*

clearly confronted with the challenge to coordinate a plethora of development actors and aid procedures. Fortunately, the remaining legacies of the central planning tradition and the generally well-educated public servants have, to a large extent, helped the Government of Vietnam (GOV) preserve the needed leadership role over its development agenda. In addition, thanks to the strong continuous economic growth, Vietnam is not aid-dependent<sup>3</sup>, and therefore could maintain a considerable bargaining power over donors.

The GOV holds that country ownership is crucial to development effectiveness and development results, as well as to the realisation of the Paris Declaration aid effectiveness principles. To support its leadership role, the GOV has issued a range of policy papers and legal documents, including the Socio-Economic Development Plan (SEDP) 2006-2010, Decree 131 on aid management and utilisation and the ODA Strategic Framework. These instruments have established the policy framework needed to manage donor money according to the country's development demands.

The SEDP 2006-2010 is, for example, an overarching document that lays down the policy measures to translate Vietnam into a middle-income nation by 2010 through consolidating the transition to a market economy, strengthening social inclusion and modernising governance structure. The fact that it has been prepared in serious, multi-round consultations with different stakeholders' groups, including grassroots bodies, civil societies and international institutions, has turned it into a broadly-owned plan. This has certainly eased donors' alignment to the national development priorities defined in the document. In fact, all donors' self-reports indicate the alignment of their own country assistance strategies with the SEDP.

### **Improving Aid Effectiveness in Vietnam – Key Progress and the Role of Ownership**

To optimise the benefits from the aid effectiveness agenda, Vietnam has invested considerable efforts in different aid effectiveness initiatives where it demonstrates increasing exercise of ownership. Firstly, senior GOV officers have played a recognised role in influencing the international agenda through their active participations in the regional and global fora on aid effectiveness. Secondly, to hold in-country stakeholders to account, Vietnam has also produced one of the world's earliest local versions of Paris Declaration - the Hanoi Core Statement (HCS). Finally, various processes and structures have been set up to drive forward the translation of Paris principles into practice. Each of these different elements would be discussed in greater details below.

Vietnam's active engagement in the global dialogues on aid effectiveness has enabled the country to capitalise on the most-advanced approaches to improving aid quality. Through such participation, the GOV's senior officials have gathered the world's best practices as well as solidified their cross-learning network with participants from other partner nations. In addition, the global fora offer the country opportunities to stay updated and engaged with the most innovative thinking on reforming the global aid business. In return, by sharing the practical developments as well as challenges at the country level, Vietnam has enriched the discussions with its own ideas and tested solutions to the common aid problems. The country's co-chairmanships to the OECD-DAC Joint Venture on Monitoring Paris Declaration and the OECD-DAC Reference Group on Paris Declaration justify the depth of its involvement with the global talks on aid effectiveness.

Not simply taking the global formulas as they are, the adaptation of these universal principles to the local context has helped the country maintain its true ownership of the agenda and develop the framework for reinforcing local stakeholders' accountability. The Hanoi Core Statement (HCS), Vietnam's version of Paris

---

<sup>3</sup> ODA accounts for only about 4-6% of GDP, less than 11% of total government budget and about 30% of public capital investment. (Source: MPI 2006)

Declaration, has provided the GOV with a country-specific instrument for holding donor organisations in country to deliver what they promise. For instance, HCS Commitment No.28 has been utilised to promote donor transparency and accountability to the GOV through developing a new practice of donors' regular self-reporting on their aid flows to the on-line Government-owned Development Assistance Database (DAD).

DAD and many other similar initiatives aimed at improving the quality of aid delivery in Vietnam have been made possible thanks to a well-established structure at the country level for driving forward the implementation of the aid effectiveness agenda. Central to this structure is the Partnership Group on Aid Effectiveness (PGAE), the key dialogue platform that engages GOV, donor and civil society representatives in frequent policy discussions related to aid effectiveness issues. In addition, the annual Consultative Group (CG) Meetings and work by some 20 thematic and sector partnership groups have also played an important role in fostering the development partnership and aid coordination.

Set up in late 2003, PGAE is strongly led by the GOV with its co-chairmanship and secretariat inputs. This monthly forum has been the main driving force behind all key partnership decisions and aid effectiveness initiatives in Vietnam, including the launch of the Hanoi Core Statement and its follow-up work. The establishment of PGAE has also pulled together different donor harmonisation groups, such as the Five Development Banks<sup>4</sup>, the Like-Minded Donor Group<sup>5</sup>, the UN agencies or the EU, under the united GOV-led partnership umbrella and enabled consensus building to take place across the board. To move forward HCS implementation in key reform areas such as public financial management or procurement, PGAE has also set up a number of technical thematic groups, again with GOV co-chairing formula to ensure GOV leadership in those initiatives.

Over the years, progress on aid effectiveness has been made possible with the strong GOV leadership and supportive partnership structures. Three rounds of HCS monitoring have been conducted and one evaluative study, known as the HCS Independent Monitoring, is underway to help inform the status of progress made, the ways forward as well as contribute to global monitoring and evaluation of the Paris Declaration. Thanks to the regular dialogues, GOV line ministries and provinces have had better mechanisms to mobilise and coordinate foreign assistance for the development needs, especially in terms of capacity building and strengthening the country systems. With the support of the Government, Vietnam has also quickly embraced different global reform initiatives such as the One UN or the EU Initiative of Donor Complementarity or Division of Labour.

### **Challenges of Ownership**

Despite various initial achievements, enhancing aid quality and exercising true ownership in Vietnam have never been easy. Challenges come from both sides of the aid relationship: the GOV and donors. Practical experience shows that whilst capacity shortage constitutes the major constraint on the part of GOV, there are several key challenges stemming from the donor practices, including lack of incentives for changes, policy incoherence and slow progresses in untying aid. These problems on the aid supply side often undermine significantly the country's endeavours to translate Paris principles of ownership into practice. Since most of these challenges are of a systematic nature, serious institutional efforts will be required to address them. Each of the problems listed above will be analysed below.

---

<sup>4</sup> This includes the Asian Development Bank (ADB), the Japan Bank for International Cooperation (JBIC), the French Development Agency (Afd), the German Bank for Reconstruction (KfW) and the World Bank (WB).

<sup>5</sup> This consists of some 13 bilateral donors, mostly small-scaled grant aid donors.

Capacity deficiencies represent the biggest hurdles for the GOV in its efforts to take a leadership role. There are two major dimensions of the problems: institutional capacity and human resources capacity. The lack of institutional capacity derives mostly from the complexity of the institutional decision-making structure, the inconsistency of the legal framework or the absence of a systematic monitoring system of performance and results. In addition, constraints in the state ability to effectively engage non-state development actors such as the civil societies in the decision-making process also present another institutional capacity deficiency. Such limitations manifest the challenges of constructing a true democratic ownership in a country with the central planning background. All the institutional capacity problems will require serious GOV efforts to address in the years to come.

Insufficient human resources capacity, on the other hand, is related to the shortage of skills in managing donor relations and aid interventions for both project and non-project aid modalities. At the project implementation level, where there is often a duality of GOV and donor procedures applicable to the project, the challenges confronting the already limited capacity of the GOV aid administration officers or implementing agencies are even greater.

Experience at the ground level has indicated that donorship, or donor-driving practices would be hard to curb unless a more proper system of incentives for changes is introduced by donor headquarters. Whilst Paris Declaration calls for a change in donor behaviour, the performance assessment systems of donor staff virtually remain as they were before Paris. Thus, the Paris Declaration can not be distant from rhetorics as long as donor staff in the field continue to be assessed primarily based on the quantity, rather than the quality of aid delivered or on the basis of compliance with the five key Paris principles of respecting country ownership, aligning to country priorities and systems, harmonising with other donors, managing for results and being accountable to partner nations.

One of the key reasons why donor incentive systems stay conservative and unmatched with the radical commitments of Paris is the lack of policy coherence within donor institutions. Harmonisation and aid effectiveness are too often seen as jobs of the policy divisions in donor agencies, and not that much of sector departments or personnel units. Bearing in mind that the former send aid workers to the field and the latter design the staff motivation systems, this policy incoherence reflects the slow institutional responses to changes and results in the mismatch between the politically-committed principles of Paris Declaration and the reality check.

Slow progresses in untying of aid also adversely impact on aid effectiveness and country ownership as it blocks partners from exercising market choices of best values from aid money. This issue is unfortunately one of high political sensitivity, as featured by the failure of Paris Declaration negotiations in setting a monitorable target for this “untying of aid” indicator. OECD-DAC right nows have a small commission working on this issue. However, unlike the other thematic bodies set up in the partnership formula to engage partner countries in Paris implementation, this is a “closed donor club”. Advancement in this area, if any, is therefore solely dependent on the goodwill of OECD donor nations without opportunities for partner nations to make their voice heard. This problems well reflects the paradox of Paris principles as much as the inconsistency between trade and development policies of OECD member countries.

**Conclusions.** Ownership is apparently of central importance to improve aid effectiveness, and development effectiveness. The Paris Declaration has provided Vietnam and many other partner countries a valuable framework to enhance its leadership role and hold donors accountable to respect its ownership. Whilst much has been done, thanks to the GOV strong ownership of the agenda, there is a long way ahead for both Vietnam and its donors before realisation of the HCS, Paris local version, could be achieved. As Vietnam

sets its objective to become a middle-income nation by 2010, greater efforts should be placed on capacity development to help the country better manage and coordinate different resources for development results. At the same time, to translate the promises in Paris into reality, it is imperative for donors to embark on profound internal, system-wide reforms to renovate its incentives system, improve policy coherence and speed up progresses in untying of aid.