



Joint Venture on Managing for Development Results

**Mutual Accountability at the Country Level
Vietnam Country Case Study
– Draft –**

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DRAFT

The views presented in this paper are those of the authors and do not necessarily represent the views of the funding donors or the Joint Venture on MfDR

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Acronyms

ADB	Asian Development Bank
AMG	Aid Monitoring Group
CCBP	Comprehensive Capacity Building Programme
CG	Consultative Group
CPRGS	Comprehensive Poverty Reduction and Growth Strategy
CPV	Communist Party Vietnam
CSO	Civil Society Organisation
DAC	Development Assistance Committee
DAD	Development Assistance Database
DP	Development Partner
EC	European Commission
ESG	Education Sector Group
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GoV	Government of Vietnam
HCS	Hanoi Core Statement on Aid Effectiveness
IM	Independent Monitoring
IMF	International Monetary Fund
IMTF	Inter-Ministerial Taskforce
LMDG	Like-Minded Donor Group
M&E	Monitoring and Evaluation
MA	Mutual Accountability
MARD	Ministry of Agriculture and Rural Development
MFA	Ministry of Foreign Affairs
MIC	Middle-Income Country
MoET	Ministry of Education and Training
MoF	Ministry of Finance
MoJ	Ministry of Justice
MoU	Memorandum of Understanding
MPI	Ministry of Planning and Investment
MDTF	Multi-Donor Trust Funds
NA	National Assembly
NTP	National Targeted Programme
NTP-E	National Targeted Programme-Education
ODA	Official Development Assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
OOG	Office of Government
PD	Paris Declaration
PGAE	Partnership Group on Aid Effectiveness
PPC	Provincial People's Committee
PRSC	Poverty Reduction Support Credit
SBV	State Bank of Vietnam
SEDP	Socio-Economic Development Plan
SWAp	Sector-wide Approach
TBS	Targeted Budget Support
UNDP	United Nations Development Programme
UNICEF	The United Nations Children's Fund
US	United States
USSR	Union of Soviet Socialist Republics
VDR	Vietnam Development Report

VHLSS
WTO

Vietnam Household Living Standard Survey
World Trade Organisation

EXECUTIVE SUMMARY

The recent independent monitoring mission conducted in Vietnam concluded that ‘on paper, Vietnam has the structures and processes in place to ensure mutual accountability for aid effectiveness...However, most observers are of the view that mutual accountability is still not strong’ (Cox et al 2007, p.12). Interviews and research conducted for this study supported this conclusion with many stakeholders commenting that, despite significant investments in aid effectiveness discussions, mutual accountability (MA) is difficult to operationalise and has received less explicit focus to date than other Paris Declaration principles.

Since 1986 Vietnam has been undertaking a substantial transition from a centrally planned to a market economy. Throughout this renovation process Vietnam has averaged annual growth rates of between 6 and 8 percent. Vietnam has also made significant progress with regard to poverty reduction. The percentage of the population living in poverty has fallen from 58.1 percent in 1993 to 19.5 percent in 2004, indicating an average decline of 3.5 percent per year (IDA 2007a).

Vietnam’s current national development strategy is reflective of this significant transformation. It is based on much broader consultation than previously conducted, represents a radical change in approach to both planning and reporting and includes a focus on results. This high quality national development strategy gives development partners (DPs) confidence to adopt more partnership-based approaches, enabling stronger policy alignment, joint work towards shared goals, and collaborative assessment of performance and results. The strategy, combined with the significant reform agenda being taken forward by the Government of Vietnam (GoV), provides a valuable base on which to strengthen partnerships and generate MA.

Significant effort has also been invested in relation to aid effectiveness in Vietnam. The Paris Declaration has been localised with DPs and the GoV agreeing to the Hanoi Core Statement which includes reciprocal commitments relating to ownership, harmonisation, alignment, mutual accountability and managing for results. Progress in implementing these commitments is assessed through a comprehensive monitoring and review process which includes an independent monitoring mechanism. But despite this progress Vietnam faces a number of challenges with regard to strengthening mutual accountability and ensuring that MA translates into improved development results. This paper highlights the importance of (i) clarifying the purpose of dialogue and (ii) ensuring that accountability commitments match responsibility and authority as two key issues that constrain progress on MA in Vietnam; furthermore (iii) capacity and (iv) consensus in interpretation of definitions also impact on progress.

The importance of clarifying the purpose of dialogue is highlighted through a discussion of the Poverty Reduction Support Credit (PRSC). While many interviewees cited the PRSC process as being a primary example of mutual accountability in Vietnam, views on the nature of the accountability relationship are not consistent. Put simply, there are different views among government and development partners as to whether the triggers do in fact represent conditionality or not. Most GoV representatives do perceive the triggers as conditions as do a number of DPs. These DPs see disbursement as linked to performance. However, others see the triggers as less significant and more as an instrument to jointly track progress. This raises the critical question: if development partners are trying to achieve two (contrary) purposes through the PRSC dialogue and assessment process do they risk achieving neither?

The lack of clarity of purpose can distort the assessment process limiting its capacity to serve either purpose. DPs and the GoV need to work together to better define the nature of accountability being promoted through the PRSC and consider what this means for the assessment process. DPs are unlikely to all be able to adopt the same view due to headquarter policies and processes. Greater devolution of authority to country offices would facilitate the development of more tailored, context-specific approaches. However, until such a time as this is

possible, it will be important that DPs are more transparent in their underlying rationale for engagement in the PRSC, the type of accountability they believe will impact most effectively on results, and the implications this has for disbursement decisions.

This paper also considers the example of providing targeted budget support (TBS) in the education sector in order to explore the challenges associated with promoting MA in a government context of highly dispersed responsibility and limited enforcement mechanisms. Provincial authorities have decision making authority over 50 percent of public expenditure in Vietnam yet mutual accountability mechanisms are most developed at the national level. For the provision of TBS to the education sector the Ministry of Education and Training (MoET) is the implementing agency and the key counterpart. But it has limited control over expenditure decisions and does not have authority over the actions for which it is being held to account.

Accurate matching of accountability commitments with scope of authority requires a sound understanding of where power and authority sits within systems. It may also require the scope of commitments and mechanisms to be narrower so as to match the breadth of responsibility and authority of the parties directly involved. Alternatively more innovative and sophisticated approaches to mutual accountability may be needed; these should effectively include the range of parties involved but disaggregate responsibilities and commitments in line with the scope of responsibilities. This would require significant investments by DPs and would be facilitated by improved donor selectivity.

MA is unlikely to be achieved through one mechanism or forum but instead requires an integrated network of relationships, commitments and accountability systems. In Vietnam the overarching framework for such a network has been established but translating this into changed practice and extending it down to the sectoral and sub-national level will require an active effort on behalf of DPs and GoV, a substantial investment in capacity development and a sustained investment over time. The example of the education sector demonstrates that mechanisms can be established which facilitate this process, and enable it to be undertaken collaboratively, rather than DPs standing back and waiting for systems and capacity to improve.

It is important to recognise that MA is not achieved by the establishment of appropriate mechanisms and processes alone. Regular and collaborative joint review of what's working, what's not and why is a key component of ensuring MA goes beyond formal mechanisms, impacting on behaviour and ultimately on development results. The aid relationship and Official Development Assistance (ODA) trends in Vietnam may change significantly when Vietnam becomes a Middle-Income Country (MIC) and ongoing analysis of how best to improve both aid and development effectiveness will be essential.

1 INTRODUCTION

This country case study forms part of a broader work stream on Mutual Accountability (MA) at the country level led by the Overseas Development Institute (ODI) between February and May 2008. The work was commissioned by the Task Team on Mutual Accountability of the OECD-DAC Joint Venture on Managing for Development Results as part of the preparatory process for the Accra High Level Forum on Aid Effectiveness. Two work-streams are being carried out to address this under the Joint Venture Managing for Development Results (MfDR) of the DAC Working Party on Aid Effectiveness. The first work-stream focuses on MA at the international level and is reported on separately². This report is a product of the second work-stream on MA at country level.

The work stream aims to address the following research questions:

- How is MA most usefully understood in aid relationships at the country level, and what are its key political and technical dimensions?
- What are the main mechanisms of MA currently in use at the country level, their key characteristics and modus operandi?
- How do these mechanisms contribute to the achievement of better development results?
- What enabling conditions and critical success factors are necessary to maximise the contribution of MA to development results?

Background research during the inception phase highlighted three important contextual factors, which formed the basis of a common approach by the country case study authors:

- The Paris Declaration (PD) commits both donors and partners to hold one another accountable for development results and jointly assess progress in achieving commitments on aid effectiveness. It also articulates pre-requisite conditions for MA – partner countries strengthening the involvement of parliament and other stakeholders, and donors providing information on aid flows to enable accurate budget reporting to parliament and citizens.
- Accountability is commonly understood to require both information to hold power-holders answerable, and incentives (some form of rewards and sanctions) to encourage compliance. Unlike representative and principal-agent models, the PD is a collaborative model of accountability that binds both parties to shared commitments on a voluntary basis.
- MA at country level can be usefully thought of as an iterative process in which different and heterogeneous actors agree to collaborate around (a) generating a shared agenda of common interests (b) monitoring and evaluating progress, and (c) engaging in debate, dialogue and negotiation aimed at securing the behaviour change necessary for delivering results.

This country case study of Vietnam was undertaken in April and May 2008 and included a field visit from 6-16th May. The report is based on extensive document review and approximately 40 interviews conducted with stakeholders during the field visit (see Annex A).

This paper does not provide a comprehensive overview of development cooperation in the Vietnam context. This is competently done elsewhere.³ Significant reporting is also available on aid effectiveness initiatives specifically and progress against the broader set of commitments in the localised version of the Paris Declaration.⁴ Of particular relevance is the recent report by the Independent Monitoring (IM) team (Cox et al 2007) which was a valuable resource for this study.

² Droop, J. and Eisenmann, P. (2008) 'MA at the International Level – Review of Existing Mechanisms.' Joint Venture on Managing for Development Results

³ See VDR (2007), ODA IMTF (2008)

⁴ See PGAE (2006a), PGAE (2006b), PGAE (2007a), PGAE (2007b)

This study draws on the analysis of the IM team where relevant and the regular progress reviews conducted by the Partnership Group on Aid Effectiveness (PGAE) and seeks to minimise duplication. The paper explores those issues of most relevance to MA and its link to improved development results. Analysis of all potential contributors to MA is however beyond the scope of this paper. The examples and issues focused on here reflect the prominent points arising from the interviews and document review.

The following section provides an overview of the country context and outlines some of the key characteristics of official development assistance (ODA) in Vietnam and the aid relationship. Section 3 focuses on the extent to which shared agendas have been generated and describes the monitoring, review and dialogue surrounding some of the primary mutual accountability initiatives in Vietnam. These include the consultative group process, the Hanoi Core Statement, and the Poverty Reduction and Support Credit. Section 4 assesses these MA mechanisms and highlights a number of key strengths and weaknesses which affect their impact on behaviour.

Section 5 provides an overview of the achievements made so far in promoting MA in Vietnam. It also outlines some of the key challenges constraining further progress and enhanced MA. The final section considers what can be learned from the Vietnam experience and begins to explore the policy implications arising from the Vietnam context. It endeavours to summarise the key conclusions and to briefly consider what lies ahead in relation to the effective generation of MA and the translation of improved accountability into better development results in Vietnam.

2 COUNTRY CONTEXT

Since 1986 Vietnam has been undertaking a process of *đổi mới* or 'renovation' which has involved moving from a centrally planned to a market economy. Recent World Trade Organisation (WTO) accession (November 2006) is a significant milestone in this transition. Throughout the renovation process Vietnam has averaged annual growth rates of between 6 and 8 percent. The Government of Vietnam (GoV) has implemented significant and comprehensive economic reforms and as a result Vietnam has been among the fastest-growing economies in the world for almost two decades (IDA, 2007b). Foreign Direct Investment (FDI) and portfolio inflows continue to grow (World Bank 2007) and the GoV has predicted that by 2010 Vietnam's per capita GDP would be sufficiently high for Vietnam to graduate to Middle-Income Country (MIC) status. More recently it has suggested that this benchmark may well be reached by 2009.

Vietnam has also made significant progress with regard to poverty reduction and is well on track to meeting the majority of the Millennium Development Goals. Poverty data was last published in 2004. Data collected through the Vietnam Household Living Standard Survey (VHLSS) shows that the percentage of the population living in poverty has fallen from 58.1 percent in 1993 to 19.5 percent in 2004, indicating an average decline of 3.5 percent per year (IDA 2007a). Despite this progress nearly half of Vietnam's 85 million people still live on less than \$2 a day and 16 million are classed as poor (DFID 2008). Poverty reduction rates also differ by ethnic group; the poverty rate for ethnic minorities fell from 86 percent to 61 percent while for the majority Kinh ethnic group it declined from 54 percent to 14 percent. Inequality is growing both within and between ethnic groups (ibid).

Recent years have also seen change on the political governance front. Vietnam is a one-party state and political reform to date has focused primarily on increasing the accountability of Party officials, strengthening the oversight role of the National Assembly (NA) and increasing citizen participation in decision-making (TI 2006). The NA is composed of 498 members and meets twice a year with certain committees meeting more regularly. It is formally independent but there is considerable overlap with the Communist Party (CPV); '[the NA] does not operate contrary to CPV policy on significant issues, but it may reflect internal Party differences where a clear position has yet to emerge' (ibid p.18). Draft legislation is subject to Party guidance and approval prior to submission to the NA. Assembly members are elected to a five-year term by a popular vote based on universal adult suffrage (Conway, 2004). However, it is worth noting that the CPV plays a key role in candidate selection.⁵ Research conducted as part of this study indicates that the NA is playing an increasingly assertive role both formally and in regard to its questioning of Government.

Civil society in Vietnam consists of mass organisations (which are often government or party-sponsored), professional associations, Vietnamese non-governmental organisations (NGOs), international NGOs and community-based organisations. In recent years consultation with civil society has increasingly extended beyond Party organisations, and many mass organisations have also become more independent (Norlund 2006). However, consultation with diverse civil society groups has not improved consistently across different levels of government. Civil society organisations (CSOs) have traditionally played a more active role in service delivery rather than roles relating to advocacy or policy engagement. Building capacity in these areas will take time, as will changing attitudes across government regarding the appropriate role for CSOs to play.

⁵ For a more detailed discussion of the Vietnamese political system see Transparency International (2006), Conway (2004) and UNDP (2006).

2.1 The aid relationship

During the twenty-year embargo that followed the Vietnam-American war very few international partners provided ODA to Vietnam. UNDP, UNICEF, the USSR and Sweden were the exception to this and provided differing degrees of assistance between 1979 and 1994. In 1989, following the collapse of Soviet aid, the World Bank and the IMF began providing technical advice but without funding. In 1994, with the resumption of relations with the US, a wider group of development partners began to engage with Vietnam and the first Consultative Group meeting was held.

Today Vietnam is one of the top five recipients of ODA in the world; but it is not aid dependent. ODA represents less than 4 percent of gross national income and less than 15 percent of the Government's budget. In 2006 ODA pledges totalled over US\$4.3 billion however given the large population of Vietnam, aid per capita is not high by international standards (ibid).⁶

There are over 50 development partners operating in Vietnam: 28 bilateral and 23 multilateral (SRV, 2006). However, Japan, the World Bank and the Asian Development Bank (ADB) account for 80 percent of all ODA. Eighty percent of ODA is provided in the form of loans.⁷ Historically ODA has been highly fragmented in Vietnam. While a number of development partners are moving towards programme-based approaches for new assistance, a large percentage of ODA continues to be delivered through single agency or co-financed projects.⁸ In 2005 Vietnam also had the largest number of donor missions out of all the countries participating in the Paris Declaration Survey at 791.⁹

There are four significant donor groupings in Vietnam: the 6 Banks¹⁰, the Like-Minded Donor Group (LMDG), European Union member states and the EC, and the United Nations Country Team. Some Development Partners are members of more than one group. There are also a wide range of actors involved in ODA management on the Government side. Decree Number 131 outlines the roles for a range of different central agencies including:

- the Ministry of Planning and Investment (MPI),
- the Ministry of Finance (MoF),
- the State Bank of Vietnam (SBV),
- the Ministry of Foreign Affairs (MFA),
- the Ministry of Justice (MoJ), and
- the Office of Government (OOG)

Line ministries, ministerial level agencies and Provincial People's Committees (PPCs) also play a significant role in management of ODA. These arrangements reflect the GoV's approach to public expenditure management more broadly whereby sectoral budgets may be spread across a wide range of spending units both at the central and sub-national level. It also reflects GoV commitment to increasing decentralisation which, linked to policies to promote grassroots democracy, seeks to strengthen the link between local needs and planning and budget management. Already sub-national levels of government control decision-making for over almost half of public expenditure (VDR 2007, p.143), with the PPCs having the most significant authority and responsibility.

This large number of actors creates problems of collective action and coherence both within and between the different 'sides' of the partnership. Neither the donor group nor the government are

⁶ Remittances are estimated at US\$3 billion/year and FDI for the first 10 months of 2007 reached US\$11billion (DFID, 2008).

⁷ It is important to note that disbursement rates in Vietnam are significantly slower than in other countries in the region. While effort is underway to address these problems (by both Government and development partners) there is often a significant gap between pledges and commitments and funds disbursed in any given year.

⁸ Surveys and DAD data suggests that this percentage is increasing rapidly but a number of development partners expressed scepticism regarding this significant increase due to ongoing discrepancies in definitions and interpretation.

⁹ <http://www.oecd.org/dataoecd/34/22/40090179.ppt#11> (Accessed 30 May 2008).

¹⁰ Korea has recently joined the '5 Banks' making it the '6 Banks' initiative.

homogenous entities with consistent levels of commitment and capacity. This raises critical questions for any consideration of mutual accountability which will be explored further in Section 5.

3 PRIMARY MUTUAL ACCOUNTABILITY INITIATIVES

This section highlights some of the key documents and initiatives through which the GoV and development partners (DPs) have sought to establish shared goals and objectives and outlines the mechanisms for monitoring and review of these agendas. These processes can clearly occur at a range of levels within the broad and complex development cooperation relationship and can be bilateral in nature or inclusive of a wide range of different partners. The focus here is on those initiatives involving the broadest range of actors and most often cited as being of relevance to a shared agenda and mutual accountability.

3.1 Socio-Economic Development Plan (SEDP) 2006-2010

Description of the Agenda

The *SEDP 2006-2010* represents a significant step forward both in relation to the quality of GoV planning and, subsequently, the degree to which the development partnership is guided by a shared set of goals. A number of new initiatives have been adopted in this planning cycle which have improved the quality of both the planning process and the final document. As a result for the first time the GoV's planning document is also the primary planning document guiding development partners. All development partners report that their programmes are aligned to the SEDP. Previously a separate document was developed (the Comprehensive Poverty Reduction and Growth Strategy (CPRGS)) and used by donors alongside the Government's planning process due to concerns with the quality and content of past SEDPs. For example, the 2001-2005 strategy was seen as lacking in relation to the consultation process, the analysis on poverty and the extent to which it focused on development outcomes and results.

Traditionally planning in Vietnam has focused largely on funding of investment projects and lists of production targets. This reflects a history whereby Government has been directly responsible for producing goods and services. However, this approach to planning neither contributed to the preparation of the budget or to an understanding of results.

The CPRGS, prepared under the leadership of the MPI, sought to address some of these issues, extending consultation and debate beyond traditional processes and focusing on development objectives rather than inputs and targets. However, its unclear status and existence outside the GoV's planning framework limited the usefulness of the CPRGS and proved confusing for officials. Despite this, some development partners believe that the CPRGS had a significant demonstration effect as it showed that this approach to planning was useful and effective in a market economy (VDR 2007).

Prior to the development of the *SEDP 2006-2010* a Directive was issued by the Prime Minister (Directive 33) stating that the next SEDP would be prepared according to the same principles that had underpinned development of the CPRGS (VDR 2007). This decision by the GoV resulted in a number of improvements to the preparation process for the *SEDP 2006-2010*. These include:

- Internal consultations that had guided previous planning processes were complemented by broader consultation with academics, the business sector, international and national NGOs

(beyond Party organisations), people living with disabilities, overseas Vietnamese and donors;¹¹

- A series of participatory research exercises, involving international NGOs and local experts, were conducted to assist in gathering feedback from poor communities in seventeen sites; and
- The draft SEDP was declassified and discussed by the National Assembly prior to consideration by the Party Congress, thereby increasing the influence and input of the Parliament (VDR 2007).

Significant improvements are also evident in relation to the content and focus of the *SEDP 2006-2010*. There is a much more comprehensive analysis of poverty in the current SEDP, with the discussions of poverty being both deeper and broader; in particular, it includes consideration of disadvantaged groups and regions, the increasing inequality, and the issue of social inclusion (VDR 2007). There has also been substantial effort to strengthen the link between the overall goals of the SEDP and clear and specific objectives. Each of these objectives is then linked to input/activity, output and outcome indicators creating a 'results chain' which has the potential to strengthen monitoring; it also provides donors with an opportunity to enhance alignment through relating indicators and targets with those used by GoV (Cox et al 2007).

Implementing this SEDP effectively will be difficult, as it represents a radical change in approach to both planning and reporting. However, the transformation and leadership demonstrated by the new SEDP could fundamentally impact on the potential for MA at the country level. A high quality national development strategy gives DPs confidence to adopt more partnership-based approaches, enabling stronger policy alignment, joint work towards shared goals, and collaborative assessment of performance and results. The *SEDP 2006-2010*, combined with the significant reform agenda being taken forward by the GoV, provides a valuable base on which to strengthen partnerships and generate MA.

However, while all development partners have reported their alignment with the SEDP, a number of donors were also involved in the preparation of the World Bank led *Vietnam Development Report* (VDR) which is presented as a 'reading' of the SEDP. NGO representatives were also consulted in the preparation of the VDR. The VDR broadly assesses the *SEDP 2006-2010* as 'aiming high' but feasible. However, it expresses concern about a lack of prioritisation within the SEDP, arguing that 'even a focused reading of the development challenges in each policy area leads to the identification of more than one hundred policy actions to be supported' (VDR 2007, p.43).

While supporting action across all four pillars, the VDR advocates a greater emphasis on strategic prioritisation and sequencing. It suggests that a 'useful lens to achieve this prioritization is to focus on the quality of growth, rather than its mere speed' (VDR 2007, p.43). As such it proposes a matrix of policy actions and development outcome indicators that vary significantly from the SEDP. As argued by Cox et al (2007): 'While there can be no objection on principle to the donors setting out their views on these matters, it does suggest that the level of common understanding between the World Bank and the Government on Vietnam's development priorities may be overstated' (p.45). While some donors claim that their views were not sufficiently incorporated by the World Bank – even though the VDR is presented as a joint initiative involving 16 development partners – it is clear that any concerns regarding the level of common understanding could well extend beyond the World Bank and the GoV.

¹¹ As further evidence of the commitment to broader consultation in planning processes the MPI website currently invites suggestions for the SEDP 2011-2020 from domestic scientists, overseas Vietnamese, and international experts (see <http://www.mpi.gov.vn/default.aspx?Lang=2> - Accessed 15 May, 2008).

Monitoring, Review and Dialogue

A key GoV-donor forum for discussion of progress against SEDP goals is the Consultative Group (CG). CG meetings are held in Vietnam under a Vietnamese chair every year. Mid-term thematic meetings are also held annually. NGOs (both national and international) and the Vietnamese Business Forum participate as observers. Partnership Reports are prepared in advance of both the CG and the mid-term CG. These reports include information on the activities of the more than twenty Government-donor-NGO partnership groups operational in Vietnam. While some of these groups are sectoral (e.g. education, transport, agriculture and rural development) others focus on particular themes or cross-cutting issues (e.g. aid effectiveness, participation, gender, poverty).

As outlined above, the *SEDP 2006-2010* is the first planning cycle where development partners and the GoV worked towards a shared agenda. It is also the first cycle for which there has been a results-based monitoring framework. The Monitoring and Evaluation (M&E) Framework for *SEDP 2006-2010* outlines data collection and reporting responsibilities for a wide range of Ministries and agencies (MPI 2007). Objectives are grouped under four pillars with 16 objectives and 41 sub-objectives. In total, there are over 130 output indicator/targets and another 130 additional outcome/impact indicators/targets. Figure 1 below provides an example of a results chain from the *SEDP Monitoring and Evaluation Framework*.

Figure 1: Example of results chain SEDP 2006-2010

Objective	Activity/Input	Indicators/Targets	
		Output	Outcome/Impact
2.1.2 Improve quality of education	Update school curriculum and teaching methods	Proportion of students with access to text books based on updated curriculum and teaching methods	Completion rate by school level % of teachers meeting the national & regional standards
		Student/teacher ratios	Number of practicing hours/Number of hours in class

Source: MPI (2007), *Implementation Monitoring & Evaluation Framework for 2006-2010 SEDP*

Annual reports are required and a mid-term report is scheduled for 2008. However, while a Monitoring and Evaluation Framework has been developed, no annual report was provided to the 2007 CG meeting and progress to date on applying the M&E Framework is limited. Despite changes in the formal documentation 'the central planning approach remains deeply rooted in institutions at all levels', with production targets and limited consultation still dominating approaches in some ministries (VDR 2007, p.141). This approach represents a significant change for government officials and will be constrained by both personnel capacity and the quality of planning and reporting systems in Vietnam. Training and awareness raising is already underway but progress requires significant institutional change and is, not surprisingly, proving to be slow.

The *SEDP 2006-2010* represents significant progress in Vietnam's approach to public expenditure management but there are still limitations in relation to the approach to planning, budgeting and reporting – a number of which have implications for mutual accountability. There is, for example, a need to strengthen the link between the planning process and the recurrent and capital budgets to improve prioritisation and guide sequencing (Cox et al. 2007). It is important to note that these limitations are clearly (and publicly) acknowledged by the GoV (MPI 2006) and reform continues at a fast pace. However the implications for mutual accountability also need to be recognised. Strengthened reporting systems are central to measuring progress against the shared agenda and this will be dependent on line agencies and provincial authorities' capacity and commitment. Without improved reporting on results, the quality and rigour of donor alignment and the degree of clarity around priority areas will be limited.

3.2 The Hanoi Core Statement on Aid Effectiveness

Description of the Agenda

The GoV was quick to take forward implementation of the Paris Declaration, translating the PD into Vietnamese after its agreement at the High Level Forum and commencing discussions on a localised version of the PD soon after. At the mid-term CG Meeting in June 2005, delegations present agreed to the Hanoi Core Statement on Aid Effectiveness (HCS). The GoV delegation included participants from a range of Ministries and agencies and some Provincial and Municipal authority leaders. Twenty-nine different countries and international organisations were represented at the meeting. The Prime Minister then approved the HCS (September 2005) and assigned MPI the role of coordination of donor organisations and other Government agencies in the implementation of the Statement.

The HCS is based on the key PD principles of ownership, alignment, harmonisation, managing for results and mutual accountability. It includes 14 indicators and 28 commitments. An indicative target for 2010 is set for each indicator. The HCS however is not an exact replication of the PD. The most significant differences include:

- There is no reference to 'conditions' in relation to alignment in the HCS;
- The HCS includes a specific commitment to phase out paid incentives for government officials;
- The HCS includes a commitment that the GoV, supported by donors, improve social impact analysis; and
- The HCS includes a commitment to decentralisation and delegation of authority to the country level being maximised for each donor.

Following the preparation of the *SEDP 2006-2010*, and the development of the HCS, the GoV drafted the *Strategic Framework for Official Development Assistance Mobilization and Utilization 2006-2010* which was finalised in December 2006. This document 'sets out the strategies and measures through which ODA can contribute to the *SEDP 2006-2010* implementation' (SRV 2006). Promulgated with a Prime Ministerial decision (no.290/2006/QD-TTg) this framework integrates the key aspects of the *SEDP 2006-2010* and the HCS into the GoV legal and policy framework. The *Strategic Framework* identifies the amount of total investment capital needed to implement the SEDP to ensure average annual economic growth rates of 7.5-8 percent and the proportion of this that the GoV expects to come from ODA.¹² It also identifies priority areas for ODA projects and programmes but remains very broad in its focus.

The *Strategic Framework* also clearly endorses the principles of the Paris Declaration and the HCS. It calls on all parts of Government to mainstream ODA projects and programmes in their own 5 year socio-economic plans. A clear preference for donor co-financing, budget support and programme-based approaches is expressed, as is the GoV's interest in harmonisation of procedures and alignment to Government systems.

Together these documents, along with their associated circulars, represent a complete set of GoV policies and legal documents on ODA management and utilisation (PGAE 2007b). However, the *Strategic Framework* also recognises that 'although directions, strategies, and policies for ODA mobilization and utilization are in place at macro levels, Ministries and localities are slow and passive in translating them into detailed projects and programs' and that organisational structures for the management and utilisation of ODA have 'not met the requirements of the reform in public resources management' (SRV 2006, p.7).

¹² It is estimated that approximately US\$11 billion in ODA will need to be disbursed in 2006-2010. Based on past experience of slow disbursement the GoV expects that this would require signed agreements for the period of approximately US\$19-21 billion. This is considered achievable by the GoV based on its analysis of ODA trends and a survey of donors conducted in February 2006.

Monitoring, Review and Dialogue

The primary forum for dialogue on aid effectiveness, and monitoring and review of the HCS is the Partnership Group on Aid Effectiveness. The PGAE has played an active and positive role in promoting aid effectiveness within Vietnam and in supporting analytical work and dialogue to improve HCS implementation. The LMDG funds the Comprehensive Capacity Building Programme (CCBP) which sits within MPI and actively supports the PGAE and dissemination of the HCS throughout Government Agencies.

The PGAE began meeting regularly in 2003 and is co-chaired by MPI and a rotating DP representative. It was through the PGAE that the HCS was developed and it also steers monitoring and performance assessment of progress against these commitments. Joint donor-GoV ad hoc thematic groups have been established to enable more focused work on priority issues. These groups report back to the PGAE on a regular basis.

There has been a significant investment by both MPI and development partners in monitoring performance against the HCS commitments. The approach to monitoring of the HCS includes surveys, progress reporting, reviews and independent assessment.

- Surveys: the initial baseline survey of donors was carried out in 2005. Surveys are to be conducted of donors and relevant GoV agencies on an annual basis. The 2006 and 2008 surveys provided the information for the OECD-DAC Paris Declaration survey process.
- Progress Reports: the PGAE prepares reports on progress of HCS implementation prior to each annual and mid-term CG. These are provided to the meeting along with reports of other partnership groups and are publicly available.
- Reviews: a mid-term review of the HCS is scheduled for 2008 and a final review for 2010.
- Independent monitoring: the PGAE agreed to an independent monitoring process for the HCS to support the mutual accountability of GoV and donors. The first mission was conducted in late 2007. Initially this was envisaged as a biannual process but more recently there has been a commitment to annual independent monitoring with different themes and focus areas each year (see Figure 2).
- Development Assistance Database (DAD): the DAD is a web-based system for ODA management. Over time it is planned that surveys will be replaced by use of the DAD. There have been some technical problems with the DAD but it is now considered to be fully operational. There has been a significant investment in updating and validating ODA data for the database. However the scope of the DAD is primarily limited to financial information and does not yet extend to quality issues or other HCS indicators. An ODA portal has just been launched and is seeking to improve data quality.

This comprehensive monitoring process provides significant opportunity for assessment against the shared agenda of the HCS. It also ensures information is publicly available and has assisted in identifying issues of priority that need further attention by the PGAE. However, a large number of stakeholders (both government and donors) interviewed for this study expressed a lack of confidence in the data both available in the DAD and obtained through the surveys. In particular, the significant improvements in statistics for the OECD-DAC global survey were questioned by stakeholders.

The Independent Monitoring process has triggered significant debate regarding aid effectiveness priorities and next steps for the PGAE. In particular it has highlighted the need for urgent attention to capacity development needs and for a renovation of the PGAE. Both DPs and MPI have supported an enhanced focus on these issues and agreed to an action plan for 2008 that will see increased joint work in these and other areas.

In addition to these initiatives driven by the PGAE, CSOs in Vietnam have recently established an Aid Monitoring Group (AMG). The AMG was established with 'the purpose of developing and carrying out independent monitoring of the implementation of aid in Vietnam, in order to enhance the accountability of donors and government to citizens in Vietnam, and ensure that donor strategies and programmes reflect the priorities of the Vietnamese people - particularly poor and vulnerable members of society' (VUFO 2007).¹³ While CSOs were unsuccessful in their efforts to have a more formal role in the independent monitoring process, CSO interviewees report increasingly positive engagement with MPI and the PGAE.

Figure 2: HCS Independent Monitoring Process in Vietnam

A PGAE management group was established to oversee the independent monitoring process and a joint fund established to finance the process. The IM team was comprised of four international and national consultants representing different national and international organisations. The IM Team worked with the Management Group to agree a methodology. The IM process was established to assess Government and donor progress on a collective and individual basis and put forward recommendations for further improvements in:

- the process of implementing the HCS commitments;
- specific areas related to government and donor implementation of the HCS commitments; and
- the interaction between Government and donors.

A small number of donors volunteered for a closer review of their performance. The IM process was seen as supplementing the regular surveys in that it provides a qualitative interpretation of the monitoring results and the HCS commitments for which there is no direct indicator.

Sources: Cox et al (2007); PGAE (2006a)

3.3 The Poverty Reduction Support Credit (PRSC)¹⁴

Description of the Agenda

The World Bank-led PRSC is now in its second series (PRSC 6-10) with discussions regarding PRSC 7 in progress at the time the field study was completed. Policy actions under the PRSC are grouped under four pillars: business development, social inclusion, natural resources and modern governance. The Vietnam PRSC no longer focuses on macroeconomic policy due to the GoV's strong performance in this area. Instead policy actions in the social arena are unusually detailed (Cox et al, 2007). Sixty-one policy actions are included in the matrix but only fourteen of these are actual 'triggers'.

There is broad support for the PRSC and almost all interviewees commented on its value as a forum for policy dialogue. Some donors have struggled to engage on policy issues with GoV to their satisfaction in the past given the nature of decision-making processes in Vietnam. The PRSC process therefore serves as a valuable opportunity to provide input into policy design and deliberation. This is not to over-state the impact that the PRSC process has had on GoV policy-making. The GoV had commenced a significant reform programme prior to the establishment of the PRSC and PRSC resources have never exceeded 2 percent of the government budget. However, the PRSC policy matrix is perceived as having led to more transparent tracking of policy development and 'can be seen as part of a wider process which has led to GoV becoming

¹³ The AMG is organised on a voluntary basis and co-chaired by the VUFO-NGO Resource Centre (NGO RC) and the Vietnamese NGO Centre for Cooperation & Human Resource Development (C&D). A number of international members of the NGO RC are part of the AMG, as are members of the newly established Vietnam Development Forum (VDF), which consists of six different CSO networks. (<http://www.ngocentre.org.vn/node/421>, Accessed 15 May 2008)

¹⁴ For a broader discussion of the PRSC in Vietnam see Bartholomew et al (2006), Cox (2006) and World Bank (2007)

increasingly aware of the international experience it can draw on to improve its policy' (Bartholomew et al 2006, p.53).

The design of the PRSC in Vietnam has evolved over time. Initially (PRSC 1 and 2) effectiveness conditions were established but incentive mechanisms were soon softened. Currently an assessment of a set of forward looking triggers is used to launch the preparation of the next operation in the series and all policy actions are completed prior to submission to the Board (World Bank 2007). These triggers represent a sub-set of a broader policy action matrix agreed between donors and the GoV. In this way, the PRSC represents a text book 'partnership approach' in its design.

The PRSC process has facilitated substantial harmonisation between donors. All development partners in Vietnam providing general budget support use the same policy action matrix to guide dialogue and rely on World Bank-led assessment processes.

Monitoring, Review and Dialogue

Two rounds of technical meetings are conducted each year to assess progress against the draft policy action matrix for the PRSC. These technical meetings consist of a dialogue between donors (led by the World Bank) and GoV and are open to NGO participation. Working groups have also been established to coordinate the views of co-financiers and provide an opportunity for ongoing policy dialogue on priority issues including with sectoral ministries. In some areas lead donors have been identified. However, all donors currently rely heavily on the World Bank's assessment of whether triggers have been met. Triggers that are not met may be retained as a proposed trigger for the following PRSC.

The PRSC design has been widely recognised as appropriate for strong Government ownership in Vietnam 'because of its greater relative emphasis on supporting rather than "buying" GoV policy reforms' (Bartholomew et al 2006). Previous budget support mechanisms with conditionality caused disbursement delays and suspension of lending when the Government was unable to meet the conditions on time.¹⁵ The GoV has also demonstrated its willingness to decline assistance if it comes with unwanted conditions. For example, in 2002 the GoV allowed its Poverty Reduction and Growth Facility with the IMF to lapse due the conditions attached.

The current design of the PRSC specifically aims to avoid these problems. This is in part reflected in the choice of policy actions but also in the approach to assessment. Bartholomew et al (2006) describe the assessment process as 'flexible' with less rigid judgement criteria and the potential to continue funding as long as a 'sufficient' number of triggers are met and no serious reversal in progress is evident. Under PRSCs 1-5 the assessment process could inform the level of lending in the next credit with a high case, base case and low case established. However, the current PRSC series (PRSCs 6-10) does not have variable cases.¹⁶

3.4 Shared Agendas at the Sectoral Level

Currently, there are 20 different sectoral and thematic working groups called 'partnership groups'. These groups vary in composition, role, level of activity and effectiveness. The quality of sectoral plans and the separation of planning and finance have constrained alignment by donors at the sectoral level and the development of shared agendas. While in some sectors the Government and

¹⁵ This problem also arose for PRSC 1. When specific triggers were assessed as not being met co-financiers were not able to disburse due to their own organisations' guidelines.

¹⁶ A number of DP representatives interviewed were unclear as to why and how the decision to remove the cases had been made and expressed some concern regarding this changed approach.

development partners are actively working to improve sectoral plans and coordination there are currently no sector-wide approaches (SWAps) in Vietnam and no sector budget support being provided. The Ministry of Agriculture and Rural Development (MARD) is working to develop SWAps and development partners are considering the feasibility of providing sector budget support in the health sector. Some GoV officials continue to prefer standalone project in part because they award greater autonomy and control to individual ministries and can reduce disbursement delays associated with other modalities.

The development of shared agendas at the sectoral level may also be constrained by the level of donor interest in coordination and harmonisation. With Vietnam expected to reach MIC status in the near future, a number of interviewees – Government and donor alike – commented on the increasing importance of other aspects of the bilateral relationship and the decline in the importance of ODA. The existence of diverse interests can encourage fragmented approaches to aid delivery due to a desire to maintain relationships across a broad range of areas. Interviewees also questioned the value of investing in certain approaches which have been features of improved harmonisation in other contexts, such as SWAps or Multi-Donor Trust Funds (MDTFs), but which may take some time to reap benefits, given the expected decline in aid in coming years.

One key area where some development partners and government agencies have invested in development of shared agendas is in relation to targeted budget support (TBS). The GoV has long used National Targeted Programmes (NTPs) to address priority issues and to improve pro-poor spending. These GoV poverty reduction programmes provide a vehicle for donors to provide TBS and co-finance GoV programmes. This approach has been adopted in relation to NTPs for education and Programme 135 – a programme targeted at communes facing extreme hardship in ethnic minority and mountainous areas, and is being piloted for rural water supply and sanitation.

The provision of TBS to NTPs provides an opportunity for a sub-set of development partners and the GoV to identify shared priorities and to co-finance activities in support of these objectives. The preparation of operational policy matrices can further contribute to the development of a shared agenda, identifying priority actions and indicators.

4 ASSESSING THE MECHANISMS

When assessing the quality and impact of MA mechanisms it is important to recognise the high levels of fragmentation on both sides of the development cooperation partnership. Neither donors nor partner country governments are homogenous and the degree to which any agenda is 'owned' by decision makers will have a direct impact on its contribution to mutual accountability and improved development results. This section considers the quality of the mechanisms described above and highlights some of the key issues relating to impact.

4.1 The Consultative Group meeting and the SEDP 2006-2010

Many interviewees saw the CG as the overarching mechanism for mutual accountability and dialogue between development partners and GoV. However views differed on the extent to which the CG provided a forum for real dialogue versus a more formulaic recitation of presentations. Recently many development partners have agreed not to pledge at the CG meetings. This is in part in recognition that in a context where there is a significant gap between pledges, commitments and disbursements the value of annual pledges is limited. It is also an attempt by some to avoid the CG being predominantly a 'beauty contest' and instead to provide more opportunity for improved dialogue around critical issues.

In many respects, however, the quality of the CG dialogue and its impact on development results will ultimately depend on the nature of the information it has available to discuss. This will be highly dependent on effective monitoring of the implementation of the SEDP. The *SEDP 2006-2010* clearly demonstrates strong leadership from central government in relation to a new approach to planning and measuring results. It provides the overarching framework for new ways of working, a sound basis for partnership approaches, and support for champions within government looking to modernise their approach. However, the *SEDP 2006-2010* is not consistently owned across Government and there is limited capacity to take forward the ambitious monitoring and evaluation agenda that has been set. Yet the availability and reliability of data in Vietnam is critical to stimulate dialogue on progress and priorities and to hold each party to account. Priority must therefore be given to improving data collection and analysis. Predictability of financing and information from donors regarding contributions (and planned disbursements) in advance is also important in this regard.

There appears to be a difference in opinion between GoV and a sub-set of donors on the type of issues which should be discussed at a forum such as the CG. In particular, some development partners wish to include discussion of political governance issues such as human rights. This is not supported by the GoV. It was however noted that over time the attention given to political governance issues more broadly in the CG has improved significantly with the increasingly open focus on corruption over recent years being cited as a positive example.

Irrespective of one's view on the quality of the dialogue at CG meetings, the CG has clearly played an important role in getting high-level 'buy-in' to certain initiatives in relation to ODA. For example, the HCS was agreed at the CG meeting and, more recently, the Prime Minister's support for the Independent Monitoring Report, expressed at the CG meeting in 2007, was seen by some stakeholders as important in ensuring its status and acceptance by GoV counterparts more broadly. With broader participation than a number of other forums, and as the system for reporting of partnership groups, the CG also provides a valuable (and regular) opportunity for the sharing of information.

4.2 The HCS and PGAE

The PGAE has been a valuable mechanism for promoting dialogue and collaborative action regarding aid effectiveness as evidenced by the reciprocal commitments of the HCS and the established and comprehensive monitoring system. However, by the end of 2007 many participants felt that the quality of the PGAE had declined. Key concerns related to the level and breadth of GoV participation, a lack of clarity regarding the authority of decisions made by the PGAE and confusion regarding the appropriate balance between strategic and technical issues. As a result, the PGAE is now going through a process of renovation. This process has been assisted by the analysis of the independent monitoring mission that selected 'organising HCS implementation' as one of its three focus areas and highlighted a number of critical issues (see Figure 3). The PGAE renovation process has resulted in a new *Platform* and *2008 Action Plan*. The Platform clearly outlines the role, composition and operating principles of the PGAE. It also seeks to situate the PGAE within the broader aid effectiveness architecture.

One of the key limitations of the PGAE was that it has no mandate as a decision-making body and no authority over other parties. As recognised in the background note to the PGAE Platform 'it is an effective, voluntary forum for GoV and donors to discuss relevant issues and to share information. Its lack of decision making authority is a major weakness and constraint that has reduced the PGAE's effectiveness' (PGAE 2008a). This limitation, combined with limited GoV participation, had minimised the extent to which commitments and initiatives were implemented across the GoV and the extent of ownership by ministries and agencies beyond MPI.

To address this issue the renovated PGAE has clearer linkages with the Inter-Ministerial Taskforce (IMTF). The IMTF is a GoV body mandated by the Prime Minister to address problems arising in ODA management and implementation. It is comprised of a number of relevant GoV agencies. In the past its role has largely focused on loans and disbursement issues as well as working with the 6 Banks on the Joint Portfolio Performance Review and associated follow-up. Its focus has now been extended to include the aid effectiveness agenda. The PGAE will make recommendations to the IMTF and IMTF members will participate in the PGAE and contribute to 'progress in formalising PGAE recommendations with regards to aid effectiveness and related matters that need decisions of the Government' (PGAE 2008b).

The renovation of the PGAE, in particular the enhanced role for the IMTF, actively addresses a number of the weaknesses in PGAE performance. It also provides a valuable opportunity to broaden ownership and engagement in aid effectiveness initiatives on the GoV side thereby supporting broader behavioural change and the potential for stronger linkages with improved development results. The 6 Banks report positive experience working collaboratively with the IMTF. However, GoV may need to monitor the IMTF's role with regard to aid effectiveness over time and consider whether its composition continues to be appropriate. Ministries currently represented on the IMTF are those most engaged in loans portfolios and broader participation may prove necessary on aid effectiveness issues.

The renovated PGAE will also need to closely consider other constraints to HCS impact. In part impact is limited by the degree of commitment to the HCS. Donors interviewed had differing views on which aspects of the HCS were 'important' and 'relevant' and which were not. This judgement was in part based on Vietnam approaching MIC status and the fact that a number of donors may soon withdraw their support. However, it was also no doubt affected by the extent to which individual donors were *able* to change their behaviour given their individual institutional systems and policies. In short, the varied commitment and diversity across donors makes it difficult for the GoV to determine what it can (and can't) expect by way of changed behaviour in line with the HCS commitments.

Related to this, MPI perceives the collective rather than individual nature of the HCS commitments as a constraint on accountability. Focusing on aggregate information can also make it difficult to identify where the greatest inconsistencies in interpretation lie. This is further obscured by the reliance on self-reporting and the lack of detailed information regarding how each individual donor arrives at their overall statistics. MPI's past suggestions that monitoring and reporting be further disaggregated have not been supported by DPs who see this as a backward step vis-à-vis

Figure 3: Concerns with the PGAE

'Observers commented that the meetings have become excessively formal in nature, with more time spent on reporting and less on genuine discussion and consensus-building. Meetings are said to be attended at too low a level, particularly on the GoV side, to be able to act as a forum for decision-making or mutual accountability. Attendance by GoV agencies other than MPI remains weak. Although technical issues have been referred to Thematic Groups, some of which have proved very effective, there is insufficient separation of policy issues from technical discussion. The practice of preparing annual aid-effectiveness action plans has dropped away, with the result that the aid-effectiveness agenda appears to have lost focus. Overall, the PGAE has become something in between a policy forum and a technical working group, without serving either function satisfactorily'.

(Cox et al 2007, p.31)

harmonisation and also argue that it is not in line with the original commitment they made. However, at the recent '*Vietnam Consultation Workshop on Aid Effectiveness*' this issue was discussed specifically and the round table report states 'there seemed to be a consensus on the need to collect and disseminate detailed donors/province/sector specific information and in this way, identify challenges and add pressure to those who are lacking behind' (p.5). This does not reflect the comments made in interviews conducted for this study which indicated ongoing opposition to this approach.

The lack of confidence in the data available also acts as a significant constraint to mutual accountability. It is largely attributed to difference in interpretation of definitions and indicators, despite significant investment by the PGAE in clarifying terms. Some interviewees raised concern that the interest of both development partners and MPI in presenting as a strong performer on aid effectiveness issues domestically and internationally was impacting negatively on the rigour of self-assessment and distorting the interpretation of key terms.

4.3 The PRSC

While many interviewees cited the PRSC process as being a primary example of mutual accountability in Vietnam, views on the nature of the accountability relationship are not consistent. Put simply, there are different views among government and development partners as to whether the triggers do in fact represent conditionality or not (Bartholomew et al, 2006). The *Joint Evaluation of General Budget Support Vietnam Country Study* found that most GoV representatives consulted did perceive the triggers as conditions as did a number of DPs. However, others saw them as less significant and more as an instrument to jointly track progress (ibid).

The World Bank has clearly sought to emphasise the latter interpretation. Since PRSC 3 the objective of the credit has been restated to include the importance of dialogue rather than just the achievement of reform oriented objectives and today it is presented as a 'fully cooperative policy dialogue' (World Bank 2007). The PRSC and associated working groups are seen as designed to provide contributions to GoV deliberations and implementation (Bartholomew et al. 2006). World Bank documentation clearly and consistently states that the triggers are *not* conditions. Triggers assessed as partially or not met can be rolled over into the next credit's matrix.

To date PRSC development partners have been able to reach an agreed position in relation to funding disbursement. However, interviews conducted for this study demonstrated that some donors are interested in a stronger link between performance and financing, reflecting a desire for a greater emphasis on conditionality. In part this reflects a difference in philosophy regarding what type of accountability relationship is most likely to improve results. Some country offices also face increasingly cautious attitudes to budget support from headquarters, domestic audit offices and parliaments and have found advocating for this type of aid modality increasingly difficult. Demonstrating a strong link between performance and disbursement is therefore of greater importance to some co-financers.

This difference in views regarding the *purpose* of the policy matrix has led to some concerns regarding the nature of the assessment process. For instance, some donors are concerned that the World Bank assessments are too subjective and see the flexibility in judgement criteria as negative. There is concern that the World Bank 'light touch' approach and 'zero conditionality' has resulted in overly optimistic appraisals of the pace of policy change, and some underplaying of areas of weak progress (Clarke et al. 2007).

At least in theory, zero conditionality should *remove* the incentives for an overly optimistic assessment. This design feature is aimed at creating a more partnership based approach whereby progress can be openly discussed without the threat of sanction. It seeks to provide an opportunity

for government to explain their approach, reasoning and priorities, and for donors to contribute analysis or international experience as input into government policy deliberations. It requires, and facilitates, an open and frank dialogue regarding progress towards mutually agreed goals.

However, is such a trust-based, open dialogue achievable if some DPs are also reliant on the assessment process for disbursement decisions and are seeking to hold Government to account for performance? GoV representatives have reported that they view the triggers in the same way as conditions (Bartholomew et al 2006). Their perception of the purpose of the dialogue thereby constrains open debate and incentivises positive reporting on performance. Similarly, the fact that some DPs also view the triggers as conditions provides an incentive for the World Bank to assess performance positively in order to protect against a drop in funding levels and decreased predictability of financing. The removal of different cases for future funding levels may also have increased this pressure.

This raises the critical question: if development partners are trying to achieve two (contrary) purposes through the PRSC dialogue and assessment process do they risk achieving neither? An assessment process that is distorted as a result of perverse incentives fails to deliver in terms of a high quality and rigorous monitoring of performance. Over time it risks a decline in confidence in the process and means that DPs reliant on rigorous performance monitoring to justify disbursement may no longer be able to rely on this harmonised, World Bank-led approach. It also prohibits the open dialogue required for a successful partnership approach.

This inconsistency in purpose clearly has implications for the nature of the policy actions and choice of triggers. Despite broad confidence in the 'direction of travel' in relation to reform in Vietnam, and significant respect for GoV ownership, development partners have chosen to focus on specific policy actions in the PRSC matrix, rather than on results. This is no doubt reflective of the newness of a results-focus in Vietnam's planning and the weaknesses in reporting systems. However, it is important to recognise there is a clear tension between the promotion of a country-led approach and the desire to influence policy (Burall et al, 2007). Once the decision to focus on specific policy actions has been made, however, the purpose of the matrix is critical in determining the choice of actions and triggers – should they be aspirational benchmarks and aim high, or be realistic and achievable benchmarks that are clearly measurable?

The large number of co-financers of the PRSC in Vietnam strengthens the importance of the policy dialogue and makes a significant contribution to improved harmonisation. However it also presents challenges with respect to the clarity and consensus of purpose and the tension of meeting the diverse needs of donor agencies with respect to funding processes while preserving the integrity of the PRSC's design.

4.4 Mechanisms at the Sectoral Level – The Example of TBS in the Education Sector

A comprehensive overview of mechanisms within all sectors is beyond the scope of this paper. However, the education sector is discussed here as a useful example. TBS was first provided in the education sector and as such the experience of the GoV and the sub-set of donors engaged in this initiative raises some interesting issues in relation to MA that may have broader relevance in other sectors as they work to strengthen sectoral coordination and programme-based approaches.

The GoV has established a NTP in the education sector (NTP-E) which seven development partners are supporting through the provision of TBS. Development partners and the Ministry of Education and Training (MoET) have sought to develop a clearer framework on priorities and commitments on both sides. The first few years have proven difficult, highlighting the different views across involved donors on the primary purpose of TBS and the appropriate approach. In

addition, while all donors have agreed to disbursement on tranches on each occasion this has often followed significant debate with some donors emphasising the importance of conditionality and performance-based payments, and others the importance of predictability and collaborative efforts to achieve common goals. In many ways this reflects a similar inconsistency in terms of purpose discussed above in relation to the PRSC.

However, a key challenge confronting both development partners and the MoET arises from the nature of the GoV system, in particular the degree of dispersed authority and limited enforceability. The MoET only directly manages 5 percent of the GoV education budget. A large amount of GoV resources for education are channelled from MoF directly to PPCs and to other spending units. Under the State Budget Law, PPCs have full authority over how they allocate the funds they receive and may have different priorities and objectives to those established at the national level including through the NTP-E. Neither MoET nor any other government agency has an overview of how the NTP funding is spent and MoET has no sanction or coordination authority over other government agencies at national or sub-national levels.

The seven development partners providing TBS for NTP-E have signed a joint Memorandum of Understanding (MoU) with the GoV, including the Prime Minister, the SBV and the MoF. MoET acts as the 'implementing agency' on NTP-E. However, significant decision-making authority rests with the PPCs and MoET does not have control or authority over NTP-E or TBS implementation. Nor does it necessarily have access to all the information it needs to demonstrate performance against actions agreed in the policy matrix. Given the merging of TBS funds with Government resources in the NTP, PPCs may not even be aware of the TBS or the commitments associated with it. This constrains the potential for MoET to be accountable to its development partners and seriously inhibits the potential for the mutual accountability mechanism to contribute to improved development results.

Despite these challenges, both MoET and participating DPs report an improved dialogue and a strengthened Education Sector Group (ESG) that is now better placed to work through these issues. The provision of TBS in the education sector was the first initiative of its kind and therefore experienced many 'teething problems' that have resulted in valuable lessons. Broader involvement of other national ministries and PPCs was identified as a priority for the future. DPs also report a much better understanding of GoV systems as a result of the NTP-E experience which is seen as critical to contributing to their improvement. Both MoET and DPs also commented on the contribution that the work and dialogue relating to the NTP-E is having on the broader system, catalysing improved coordination and cooperation between different levels and parts of government and prompting work on a single planning process and monitoring and evaluation framework for the education sector.

5 ACHIEVEMENTS AND CHALLENGES

5.1 Achievements So Far

In recent years the GoV and DPs have put in place a number of formal policies, commitments and mechanisms needed for MA to be generated. The significant improvements in the SEDP and the process through which it was developed provide an important enabling framework for more joint GoV-DP efforts. By focusing on results and establishing clear goals to guide development cooperation it provides a basis on which more partnership-based approaches can be built. It also reflects a significant shift in the GoV's approach to planning. Consultation was broader with involvement from CSOs and there was greater opportunity for real review by the NA. Establishing a results framework is not just important in relation to development cooperation but also provides the potential for strengthened domestic accountability in the future.

Agreement to the HCS by the large majority of DPs and the GoV provides an overarching framework for the aid relationship and defines a shared agenda. It includes reciprocal commitments on all of the aid effectiveness principles outlined in the Paris Declaration. These commitments, combined with the indicators for 2010 and a comprehensive monitoring and review process, clearly contribute to an accountability relationship which is more mutual in nature and sets clear benchmarks for changed behaviour.

The agreement to the independent monitoring process and the degree to which the team's recommendations have been considered and adopted also represents good practice in terms of MA. The willingness of a small number of DPs to open themselves up to closer scrutiny and analysis by the IM team demonstrates a strong degree of commitment to the HCS and raises the bar in terms of openness and accountability of DPs. While recognising that DPs have committed to the HCS collectively the value of disaggregated analysis of performance is substantial. It contributes to broader discussions on definitional interpretations, new aid modalities and constraints to HCS implementation.

While there are divergent views on the purpose of the PRSC policy action matrix, and the nature of the accountability it is seeking to promote, the PRSC provides an important forum for policy dialogue and contributes to the broader MA relationship. The inclusiveness of this dialogue and the strong harmonisation that DPs have achieved to date may have trade-offs but have contributed to a consistency in policy recommendations by DPs and, therefore, to a clearer agenda and understanding of priorities. The PRSC dialogue provides an important space within which MA could be further strengthened through greater clarity on the purpose of the dialogue, improved multi-year predictability of financing and articulation of DP commitments to which they could be held to account.

These processes and initiatives both reflect and contribute to more collaborative ways of working in Vietnam. Such collaboration is central to MA and to partnerships in pursuit of common and agreed objectives. A number of interviewees commented that the momentum behind these GoV-DP dialogues and initiatives was such that not participating would have costs for DPs. In part, these were seen as reputational risks but also reflected concerns at being 'left out' of key discussions with GoV.

The practice of increased collaboration is particularly evident within some donor groupings, especially in relation to the LMDG and the 6 Banks. It has been suggested that there are too many groupings and that they overlap with some DPs participating in more than one. However, the existence of a range of groups may actually be serving diverse purposes and enabling DPs to achieve certain things in one group that may not be achievable in another. It protects against all donor harmonisation efforts being limited by the 'lowest common denominator' and allows for stronger partnerships among sub-sets of donors which can facilitate innovation and result in valuable demonstration effects.

It is within smaller groupings of donors (both permanent and issue-based) that some of the most significant progress has been made in working with GoV to translate progress made at the macro, framework level into changed practices at the sectoral level. On the whole, the vast majority of ODA in Vietnam continues to be delivered through standalone projects and fragmentation remains high. Collaboration at the sectoral level has not progressed at the same pace as at the national level due to limitations in capacity and commitment on the side of both GoV and DPs, as discussed above. However, some positive examples of joint programming and use of new aid modalities such as TBS are clearly aimed at improved aid effectiveness and reflect changed donor behaviour in line with HCS commitments. These initiatives have the potential to contribute to mutual accountability between DPs and GoV beyond central agencies at the national level. They are critical to enabling strengthened MA to translate into improved development results. While those seeking to improve aid effectiveness at the sectoral level in Vietnam still face substantial challenges it is clear that in a small number of sectors, where new approaches are being adopted,

the mechanisms have been put in place whereby these challenges can be confronted more collaboratively. Further strengthening of harmonisation efforts and investment in programme-based approaches in other sectors is a critical step towards generating broader MA and linking MA processes with improved developmental outcomes.

5.2 Continuing Challenges

Despite these significant advancements, achieving real MA between DPs and GoV continues to face a number of challenges. It was clear from the interviews conducted for this study that the boundaries of the MA relationship are set by the importance both GoV and individual DPs set in maintaining a positive bilateral relationship. GoV have clearly stated that they wish to partner with as many donors as possible and are willing to tolerate a range of different practices for the benefit of the broader relationship. Similarly, many DPs are keen to be involved in the Vietnam 'success story' and are increasingly mindful of other non-aid aspects of the bilateral relationship. They are therefore unwilling to withdraw their support from the GoV. However, there is still much room for MA to be further strengthened within these parameters.

The enhancement of MA in the Vietnam context faces a number of significant challenges. The research conducted for this study highlighted a range of issues including: coherence, clarity of purpose, capacity, data and commitment. Each of these issues is discussed below.

Coherence and Dispersed Authority

Translating mutual accountability initiatives into improved development results requires those with decision making authority on development policies and practice to own commitments and take responsibility for behaviour change and improved performance. This presents challenges for both the GoV and development partners due to high levels of dispersed decision making power. While there have been significant efforts by some donors to increase the decision-making authority of country offices, responsibility and authority is still highly dispersed even among the most devolved donor agencies. Within the development agency some decisions will be made at country level and others at headquarters; some within programming divisions and others by technical, policy or corporate areas. Decisions impacting on practice in the Vietnam context are also made beyond the development agency – by donor politicians, central agencies and parliaments. What authority lies where is also not consistent across development partners. These dynamics can make it unclear as to who holds what power and therefore who can be held to account for what?

The nature of the GoV governance system presents many of the same challenges. Power is dispersed, responsibilities shared and mechanisms for enforcement limited. As recognised by the GoV in its SEDP 2006-2010:

Mechanisms for supervising the execution of policies, resolutions, directives from the Party and Government lack consistency and strictness and power is dispersed. The responsibilities of the sectors, levels of authority of their leaders are not clearly defined; decentralization and empowerment remain unclear, which creates problems in the realization of specific tasks and gaps in the management... Coordination among ministries, sectors and levels is weak (MPI 2006, p.7)

While some of these constraints arise from problems of capacity or an incomplete transition process, others are a product of a modern governance system which has sought to protect against too much concentration of authority and power. There have been significant initiatives in Vietnam in recent years to increase the deconcentration and decentralisation of government power. This is seen as closely linked with efforts to strengthen grassroots democracy, which has been actively promoted since 1997 through the issuing of a range of government decrees (UNDP 2006). The

GoV argues that decentralisation will bring planning and decision-making closer to the people affected by them and facilitate greater participation.

Clarity of purpose

As highlighted by the example of the PRSC discussed above, accountability can be understood in different ways. Different types of accountability may require different practices and approaches. MA will not be achieved in any context through one mechanism but through a network of different agreements, relationships and initiatives. With many different actors involved in MA in Vietnam it is particularly important that the purpose of different processes, and the understanding of accountability being adopted by different actors, be clear and transparent. This may require individual DPs to be clearer on how they think accountability links to improved development results and what approach they advocate, and for DPs and the GoV to have frank discussions on these issues. Without such clarity there is a danger that divergent views will limit the effectiveness of different MA mechanisms and that the failure to deliver expected outcomes will undermine interest in investing.

It may not be possible for all DPs engaged in different processes to adopt the same approach or perspective to accountability. In fact, doing so could drive DPs towards the lowest common denominator in order to achieve agreement, which would in effect limit progress in implementing the HCS. Innovative ways of striking a balance between harmonisation and the potential benefits of demonstration effects and new ways of working will be needed. In the case of the PRSC, transparency on DP views on the purpose of the assessment process and the extent of conditionality in their own disbursement decisions would be a useful first step and could facilitate a more authentic dialogue around progress.

Capacity

Limited capacity is also a significant constraint to MA in the Vietnam context. This is particularly true at the sectoral and sub-national level. The value of a number of the positive initiatives highlighted here will only be realised if there is sufficient capacity and commitment across the GoV to translate policy and plans into practice. This is not an easy task and requires significant public administration reform and capacity development. DPs and GoV need to make substantial investments in building this capacity and work is already underway. The issue of capacity was highlighted by the IM team and capacity development has been adopted as a priority in the PGAE Action Plan for 2008.¹⁷

However it is important to note that this issue can not only be addressed through the initiation of additional capacity development exercises. A number of current practices are undermining or overburdening capacity and these also need to be addressed. While there are clearly a number of initiatives to adopt new approaches to working with the GoV, the large majority of assistance is still highly fragmented and provided as stand-alone projects. The number of missions conducted by donors is another key example. Aid effectiveness principles need to be mainstreamed into donors' engagement in order to ensure the limited capacity available is being directed towards applying the new approaches and policies.

¹⁷ An analysis of Vietnam's capacity needs for managing public investment resources and an initial scoping of a medium term strategy to provide identify capacity development needs. Based on the analysis the PGAE would develop a donors' funding plan to support implementation of the GoV medium term capacity building strategy, which will help to deliver Hanoi Core Statement targets. PGAE donors would subsequently consider options for providing pooled funds (PGAE 2008c).

Capacity within donor agencies is also acting as a constraint to mutual accountability. At times only the most senior staff is aware of the HCS principles and commitments whereas junior staff may be responsible for compiling data and completing surveys. Headquarter policies and systems can also constrain the extent to which capacity is available for engagement on aid effectiveness initiatives.

Data

Despite improvements in recent years, as well as a number of key initiatives to collect and analyse socio-economic data, the success of MA initiatives in Vietnam is likely to be constrained by the availability of good data in terms of quality, coverage, and confidence. Effective monitoring and evaluation of the SEDP will be critical to strengthening the partnership-based approach and for demanding greater predictability and alignment from development partners. Improved data is also essential at the sectoral level to improve coordination and create an enabling environment for the provision of programme-based approaches. As evidenced by the education sector example, there is potential for GoV and DPs to work together to try and address this issue.

Commitment

The degree to which development partners 'share' the agendas described here is highly varied. The agreement to commitments as a 'collective' implies a certain level of collective action, consensus and shared responsibility. However, each development partner has its own systems, policies and practices. For some, these are set at the headquarters level making them even less able to be tailored to local context. While donor groupings within Vietnam have sought to strengthen this sense of 'collectiveness' with differing degrees of success there is clearly variability in the degree to which the behaviours and choices of individual institutions are being shaped by collective agendas and agreements.

Vietnam's prospective MIC status is relevant here and impacts on aid effectiveness discussions broadly and MA in particular. Strong GoV ownership and significant progress in taking forward a complex reform agenda clearly provide an opportunity for partnership based approaches and substantive dialogue. However, MIC status can also impact negatively on aid effectiveness and the type of approaches that donors are willing or able to adopt. A number of interviewees remarked that there were DPs whose progress in adopting the aid effectiveness principles in their engagement in Vietnam was not nearly as progressed as it was in African contexts. This was attributed to Vietnam's prospective MIC status. Some DPs believed that aspects of the HCS weren't appropriate to this context largely because the investment they would require was considered unwarranted given the presumed decline in aid levels.

Division of labour was the most commonly cited example. GoV expressed an unwillingness to lead on this issue and DPs thought that this would happen through natural attrition. However, while ODA might decrease it is important that donors continue to support those areas that are of highest priority to the GoV and which most contribute to the achievement of the goals of the SEDP. This will require stronger prioritisation on the part of the GoV and are more planned scale down by the donor community. Early and open discussion of this issue within the forums established for GoV-DP dialogue can help shape priorities with respect to HCS implementation and contribute to the authenticity of discussion around some key principles. Transparency on behalf of DPs regarding their future plans with regard to engagement in Vietnam can also contribute to predictability for the GoV and help guide any division of labour. In the meantime, the number of donors involved in each sector can constrain progress on MA and needs to be given greater priority.

6 CONCLUSION AND POLICY IMPLICATIONS

Vietnam has taken significant and impressive steps to put in place the formal arrangements for strengthened mutual accountability. There are a number of lessons from this experience that may have broader relevance for policy making by donors elsewhere or by other partner countries.

Firstly, improving the quality of national development strategies – both in terms of process and product – can provide an important base on which to build a stronger partnership. It provides a common set of goals and a focus for dialogue. Partner governments seeking to strengthen donor accountability and alignment will benefit from well prioritised plans and associated aid policies which clearly direct donors and articulate their responsibilities and contributions. They also provide an important framework through which multi-year financing discussions can be progressed and enable donors to improve predictability of financing over a multi-year timeframe.

The establishment of a joint donor-government-NGO group focused on aid effectiveness issues, combined with agreement to a localised version of the PD, has also had significant benefits in the Vietnam context. It has heightened the attention on aid effectiveness issues, established a benchmark against which progress will be assessed and, perhaps most importantly, provided a forum through which donors and government can work collaboratively to address constraints. The acceptance of an independent monitoring mission and the extent to which its findings have been debated and integrated into future planning is also significant.

However, the development of a localised version of the PD and an independent monitoring mechanism, while important, do not in themselves achieve mutual accountability. MA is unlikely to be achieved through one mechanism or forum but instead requires an integrated network of relationships, commitments and accountability systems. In Vietnam the overarching framework for such a network has been established but translating this into changed practice and extending it down to the sectoral and sub-national level – where many decisions are made – will require an active effort on behalf of DPs and GoV and a substantial investment in capacity development.

The translation of formal policies into mainstreamed and integrated approaches to planning, budgeting and aid management is a fundamental challenge in all contexts. The Vietnam experience highlights a number of constraints which have implications for policies of donors and governments working collaboratively at the country level, and for global level initiatives to strengthen PD implementation. The key issues emerging from the research undertaken for this case study include:

- The quality of dialogue, the extent of answerability, and the link between MA and improved development results all hinge on the **availability of good data**. Both partner countries and donors need to work collaboratively to improve the degree to which data is collected, shared and effectively analysed. Investments in strengthening statistical capacity in Vietnam have shown benefits but the ambitious transition to results-based monitoring and planning will be extremely demanding. The availability of reliable data on PD indicators is also central to building and maintaining trust and progress. Donors and Governments need to improve the consistency in interpretation of key terms both within and across countries. Donors also need to ensure country offices have access to the data required to contribute to surveys and monitoring of commitments.
- The localised version of the PD has been a useful tool in Vietnam. However, donors agreeing to ‘collective’ commitments must be clear and transparent in what they can and will contribute to these collective goals as an individual institution. This is not a call for standardisation across donors. In fact, the GoV is highly respectful of donor diversity. However, MPI rightly claims that donors cannot be held to account if it is not clear what individual agencies have committed to do and if data is primarily collected in an aggregated form. **Individual action plans** outlining

what behaviour changes individual donors will be instituting within their own practice and programmes could contribute significantly to more *mutual* accountability. Likewise individual government agencies/ministries will need to consider how they, as individual institutions, will contribute to the achievement of the Government's commitments.

- Achieving mutual accountability in a context of highly dispersed authority is a significant challenge. MA is dependent on power-holders being answerable for their actions. **Matching commitments to scope of authority and responsibility** is therefore critical and highly challenging in contexts of dispersed authority and limited enforceability. Accurate matching requires a more nuanced analysis of government ownership than is often the case and a greater acknowledgement that development cooperation involves the interaction of *political systems* and is not just a set of technical issues (Booth 2008). It may also require the scope of commitments and mechanisms to be narrower so as to match the breadth of responsibility and authority of the parties directly involved. Alternatively more innovative and sophisticated approaches to mutual accountability may be needed which effectively include the range of parties involved but disaggregate responsibilities and commitments in line with the scope of responsibilities. The issue of MA and decentralisation is one of broader relevance and more **substantive analysis at the international level** would assist DPs and partner governments alike to devise practical strategies to address this constraint at the country level.
- 'Accountability' can be interpreted in a range of ways. Development partners must be clear and transparent about their own interpretation and philosophy regarding the relationship between ownership and accountability. Many mutual accountability mechanisms are reliant on harmonised action by development partners. DPs must therefore be transparent regarding their purpose and the extent to which they are linking performance and disbursement of funds. Without such **clarity of purpose** there is a danger that different actors will be pulling in contradictory directions. The **delegation of authority** to country offices to make these decisions will be important in ensuring effective collaboration between donors and more context-driven responses.
- The mechanisms established to promote MA in Vietnam are not perfect. However, it is clear that many of them have provided a forum through which more joint learning and collaborative approaches to overcoming challenges can be devised. At times it is clear that better progress has been achieved by a sub-set of donors working together with government. MA requires collaborative and harmonised approaches. A larger number of actors can lead to greater complications. The degree of **donor selectivity** can therefore impact on the generation of MA and should not be seen as an unrelated issue.
- The expectation that Vietnam will achieve **MIC status** in the near future is impacting on the donor-GoV relationship. It is clear from the Vietnam context that the PD is still highly relevant despite strong economic growth and competent government leadership. It could be argued that an effective division of labour is of heightened importance when some development partners are planning to scale down or fundamentally modify their engagement. Strategies will need to be adopted to ensure that development assistance is effectively targeting poverty. However, there may be aspects of the PD and HCS that are of higher priority given this situation. To some extent individual actors are already making these judgements. A transparent and open discussion of donors' plans and DP and Government views on the aid relationship in the future could facilitate a stronger consensus on priorities. The mid-term review of the HCS also provides an opportunity to consider whether certain elements of it may benefit from even stronger localisation in order to be of greatest relevance during the transition to MIC status.

Ongoing investment, clarity of purpose, assessment of strengths and weaknesses and collaborative 'tinkering' and modification will all be required to ensure formal systems actually change practice. In this way MA is best seen as a journey and one which needs to be taken jointly. The renovation of the PGAE is a positive example of this process and has the potential to

rejuvenate the aid effectiveness discussion in Vietnam and to more effectively extend the reach of the HCS dialogue beyond central agencies.

In coming years ODA to Vietnam trends are likely to change as are the practices and approaches adopted by DPs and GoV. Some mechanisms are in place that can facilitate this transition occurring in such a way as to maximise the potential for improved aid effectiveness, collaboration and joint approaches. However, this will require a greater willingness to change behaviour in the Vietnam context, greater transparency about priorities and interests, and a willingness by both GoV and DPs to be held to account. This will be dependent on the degree of trust and confidence in the DP-GoV relationship. It can be undermined by seemingly small things such as confidence in data and consistency in interpretations. DPs and GoV must continue to work together to address these issues, thereby creating the building blocks for stronger MA and improved development results into the future.

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