

Going Forward for Enhancing Aid Effectiveness

In 2003, Vietnam made a major progress in the area of improvement of aid effectiveness. However, the positive effects expected for the coming years are even larger, since the majority of achievements made during 2003 were related to planning, while those expected for the coming years are related to putting those plans into action.

In 2003, the High Level Forum was held in Rome where discussions focused on how developing countries and donors could enhance aid effectiveness. Vietnam is a country where many initiatives have been taken to lead the international donor community, and lively discussion has been made on this topic. Such debates in Vietnam have gained momentum since the High Level Forum in Rome.

Issues of significance at this juncture would be summarized as follows. In each and every area mentioned below, a major progress was made during the "Regional Workshop on Aid Effectiveness in Asia" jointly sponsored by Japan, UK and Vietnam on October 20, 2003. Further development is projected into the future.

● Harmonization Action Plan

The Rome Declaration on Harmonization adopted at the High Level Forum in Rome calls upon the developing countries who participated in the Forum to draw up an action plan for harmonization. In response, the Vietnamese government has launched the preparation of the action plan on the basis of dialogues with donors, and presented its ideas at the Workshop held on October 20.

It is expected that the Harmonization Action Plan will further be elaborated through dialogue between the government of Vietnam and the donor partners. It is important to promote the enhancement of aid effectiveness by using a "multi-dimensional but well-coordinated approach rather than taking a "unifying everybody" approach, since aid effectiveness can be improved by various measures including: capacity building for ODA management, alignment to national development plans, and simplification of procedures. In the Harmonization Action Plan, a framework which ensures such "multi-dimensional approach" is important.



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● Capacity building for the ODA management

In June 2003, MPI organized a workshop where it launched the idea of "Comprehensive Capacity Building for the ODA Management". Participants of the mid-term Consultative Group meeting in June recognized that capacity building for the ODA management is one of the important issues that the Vietnamese government and donors should tackle jointly. Then, at the October 20 workshop, the Vietnamese government presented a concept paper which summarized guiding principles, proposes and components to be covered by this initiative.

It is expected that, based on this concept paper, real progress will be made at a specific project level. It is hoped to address issues that were identified by the Joint Portfolio Review by ADB, JBIC, the WB, AfD, and KfW.

Also, "how to build capacity" is important not only for the sake of improving ODA management in itself, but also for the overall purpose of making ODA inputs more effective and conducive to enhancing the capacity of

partner countries in a sustainable manner, since many of the ODA projects have "capacity building" as their main objectives.

● Alignment to national development plan

The Rome Declaration adopted at the High Level Forum in Rome pointed out the significance that development assistance be delivered in according with the priorities of the developing country. This is one of the points that donors should be reminded when providing development assistance. At the October 20 workshop, Japan proposed an initiative that "policy matrix" be introduced for individual sectors as tools to strengthen alignment with the national development plans.

It is expected that real work on this initiative should be started having certain areas as pilot cases.

Up until now, alignment discussions tend to focus on "the aid system and procedures". With a view to address the "policy priority" aspect, this initiative of "policy matrix" could play a significant role.

● Further promotion of harmonization / simplification of procedures

Various groups of donors are currently making their efforts in harmonizing procedures in Vietnam, including the group of five banks-- ADB, AfD, JBIC, KfW and WB, UN agencies, EU and Like Minded Donor Groups.

Efforts by these groups are expected to gather steam over the coming years. With regard to Japan, JBIC has actively participated the works of the five banks in the loan area. In the grant area, it has also established a consultation mechanism with MPI for improving aid effectiveness. Through this mechanism, and taking into consideration the findings of transaction cost study conducted by JICA, Japan intends to enhance aid effectiveness in identifying the areas to improve and taking concrete measures for it.