

Policy Reform Initiatives and Aid Management in Vietnam

Utilizing Poverty Reduction Support Credits (PRSCs) as a part of reform process

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Vietnam's Development Vision and Policy Reform Initiatives



Development Vision: to become an industrialized country by 2020 with accelerated industrialization and modernization

- The government's main driving force for reform is its strong desire to achieve significant status in the international community
 - ➔ Vietnam's strong determination and commitment to meet with WTO compliance
- PRSC policy actions have been consistent with WTO compliance – PRSC may well be considered as one of the available tools to support Vietnam's WTO accession

Question: Would the government have proceeded the reform process in the absence of PRSC?

Does PRSC Process Contribute to Strengthen Ownership?



- PRSC does not involve explicit policy conditionality
 - Different from traditional adjustment lending
- PRSC facilitates donor alignment with the national strategy
 - Playing significant role as a “coat hanger”
- The government is not dependent on PRSC resources
 - Creating bases for healthy policy dialogue
- PRSC can facilitate reform process but can not be a panacea for every reform
 - Limitation exists in dealing with step-by-step capacity building on the ground

3

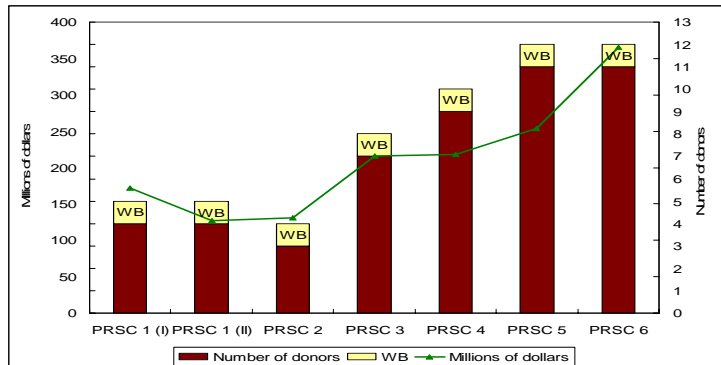
What is the Government's Intention in Proceeding PRSC with Donors?



- Mobilizing available donor funding until the country graduates from the IDA status
 - To utilize donor funds in soft terms until it envisages to become a middle income status after 2011
- Aiming for signaling effects to both internal and external audiences
 - To legitimize reform process and persuade internal stakeholders to gain their support
 - To provide potential foreign investors a sense that Vietnam has increased its attractiveness as a destination for investment

4

Total Disbursement by Operation and Number of Co-financiers

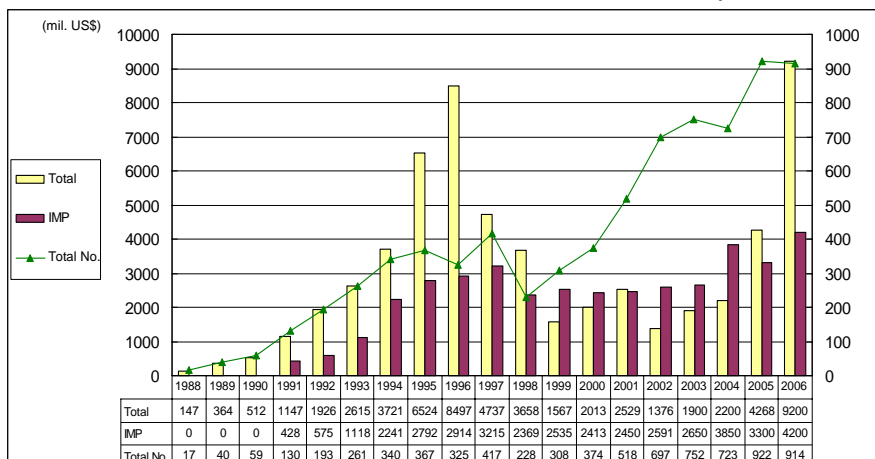


Source: modification of World Bank material

Investment trends in Vietnam (amounts newly approved and implemented)



- Increase in investment coincides with PRSC assistance period



Source: materials from a JICA expert

The Role of Donors Beyond “Donor Management”



- While setting appropriate milestones/policy measures, and constantly monitoring their progress through PRSC framework can facilitate the reform process.....
 - Policy actions only address the essence of the most important milestones for reform
 - Thus, step-by-step capacity building on the ground is indispensable to achieve tangible results
- Policy actions and technical assistance should go hand in hand to exert synergetic effects to facilitate true policy reform
- Japan’s strength: Japan can bring up policy issues identified through practical assistance on the ground to the PRSC dialogue, and vice versa

The END