

Managing Donors and Owning Policies:

The East Asian Perspective of Ownership and a Case of Vietnam



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Highlights

1. Ownership concept
 - Conventional definition vs. the East Asian perspective
2. Type of ownership:
 - Donor management
 - Development management (incl. policy ownership)
3. Case study: Vietnam

1. Ownership Concept: Conventional Definition

- Political *commitment* to and *capacity* for designing and implementing policies and development actions (Johnson & Wasty 1993, Morrissey 1999, etc.)
- Relatively new terminology (WB/OED 1991 ~)
 - Originated from donor agencies? -- the lessons from structural adjustment programs and the past project aid
- Now, a guiding principle of aid relationships
 - Paris Declaration on Aid Effectiveness (OECD/DAC, 2005)
- Aid relationship as “black box” (Jerve and Hansen 2007); need for recipient perspectives

The East Asian Perspective

- Managing aid as integral part of the development process
 - Aid relationship—just one component of development management, as a means to realize national development priorities
- “Graduation” as the ultimate goal of aid receipt.
 - Existence of “exit plan” from aid, with vision and realistic measures for achieving self-sustainability
- Development as a “translative adaptation” process -- not unilinear “modernization” (Maegawa 1994)

The East Asian Perspective (Example)

<Malaysia and Thailand (esp. the 70-80s)>

- Key role of central economic agencies -- strategic core centers of development management
 - Strategic planning and implementation coordination of developmental activities, including aid, intra-govt. coordination, govt.-business partnership
 - Forming “developmental” coalition with leaders
- Using aid for growth and graduation
 - Absorption of foreign knowledge & technology → internalization → institutionalization → becoming donor agencies

I. Ohno and Shimamura (2007)

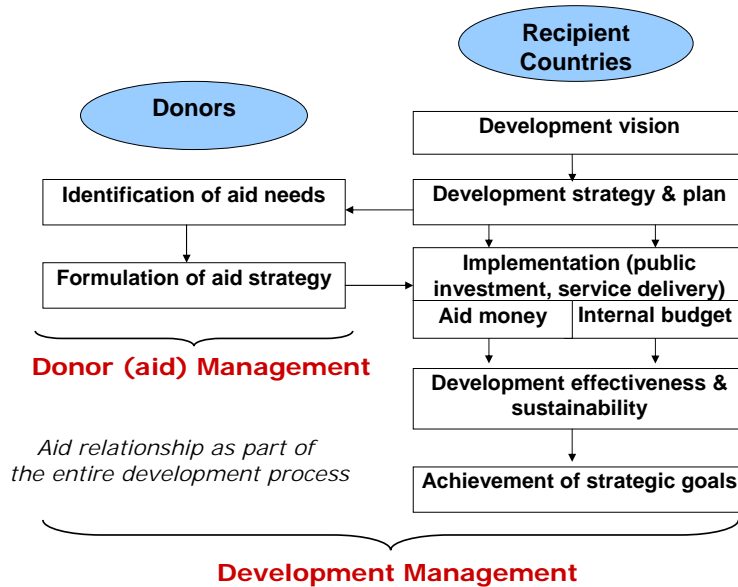
<http://www.grips.ac.jp/forum/pdf07/AidMgt.pdf>

2. Type of Ownership (1)

Distinguishing “donor (or aid) management” and “development management” (incl. policy ownership)

Donor management	Development management
<ul style="list-style-type: none">■ Capability of owning relationship with the donor community■ Can be exercised by a relatively small segment of the government	<ul style="list-style-type: none">■ Capacity for owning policies (e.g., design, implement, monitor & revise as required)■ Execution of development itself (of which aid mobilization is only a part)■ Must be supported by the concerted actions of all administrative bodies—horizontally and vertically.

Development Management and Aid



Type of Ownership (2)

- **Policy ownership:** managing policy ideas, as part of development management
- **Key questions:**
 - Who set the scope of policy choice and interpretation?
 - Is the government free to choose and own 'only the set of policies already decided by donors'?
- *Ownership of what?, by whom?*

Cf. Helleiner (2002) Tanzania

"... some donors seem to believe that ownership exists when recipients do what we want them to do but they do so voluntarily."

3. Case Study: Vietnam

- Vietnam: often cited as a country with “strong” ownership.

Question:

- What is the nature and levels of ownership demonstrated by Vietnam, especially from the East Asian perspective?

Our Analysis:

- Vietnam’s seemingly “strong” capacity for dealing with donors should NOT be confused with capacity for managing the entire development process.
- Vietnam has not yet developed an effective economic policy-making structure and processes.

The Context of Vietnam ’s Aid and Development (1)

- One of the largest ODA recipients
- Active development partnerships (30+ donors pledging)
- Good progress in achieving MDGs and economic growth

The Importance of ODA in Macro-economy (2005)

	ODA inflow (net), \$bn	FDI inflow (net), \$bn	Workers’ remittance, \$bn	ODA/GNI (%)	ODA/Gross capital formation (%)
Vietnam (pc. GNI=\$620)	1.9	2.0	4.0	3.7	10.3
Sri Lanka (pc. GNI=\$1170)	1.2	0.3	2.0	5.1	19.3
Nepal (pc. GNI=\$300)	0.4	-	1.2	5.8	20.0
Tanzania (pc. GNI=\$340)	1.5	0.4	0.2	12.5	65.8

Source: World Bank Development Indicators (2007)

The Context of Vietnam 's Aid and Development (2)

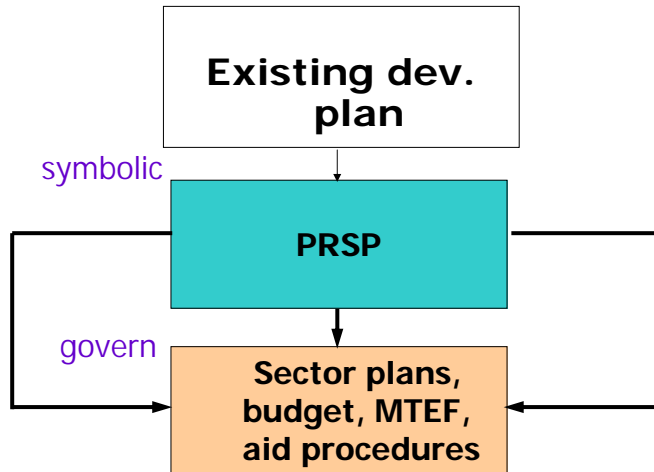
- Transition to the market economy
 - Economic reform “*Doi Moi*” (1986); collapse of ex-Soviet Union (1991) → gov. decision to open its economic relations to the West; WTO membership (2007)
 - But, the organizational structure of gov. remains largely unchanged from the era of centrally planned economy
- Central role of the Ministry of Planning & Investment (MPI, ex-State Planning Commission)
 - Development planning, development budget, public investment planning; and
 - Centralizing all kinds of aid through a single window
- Lessons from Vietnam War and Soviet aid
 - “National independence and pride” (Forsberg 2007)

Donor Management

- Case 1: CPRGS formulation and expansion
 - PRSP as supplementary document to the existing development strategy and plan (the stated goal: “modernization & industrialization by 2020”)
 - Making PRSP growth-oriented, by including large-scale infrastructure
 - Integrating CPRGS II into the Eighth Socio-Economic Development Plan (2006-2010)
- Case 2: Aid harmonization
 - Managing aid harmonization by donor group (e.g., 5 Banks, LMDGs, EU, UN)
 - Adding diversity to harmonization and modality debates

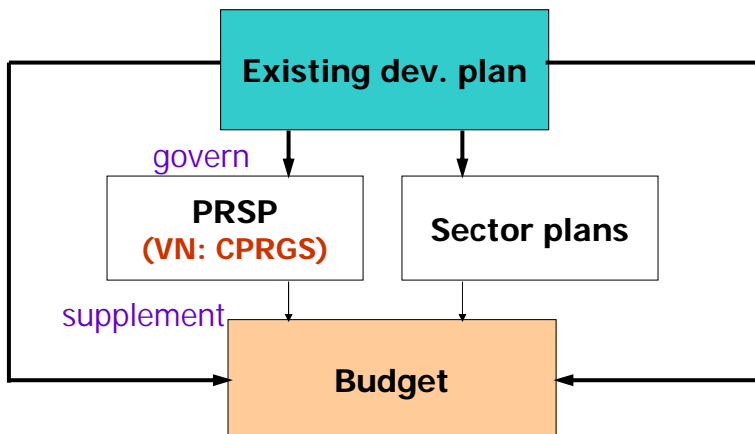
→ *Skillful management of donors, laudable for a low-income country.*

PRSP as a Primary Document



PRSP: Poverty Reduction Strategy Paper
MTEF: Medium-Term Expenditure Framework

PRSP as a Supplementary Document



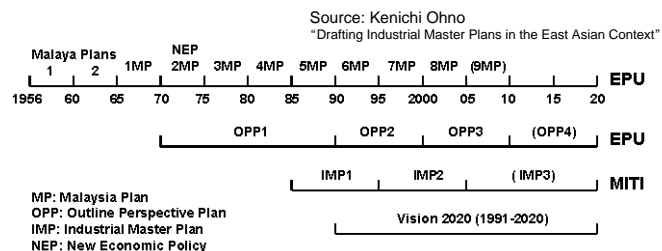
CPRGS: Comprehensive Poverty Reduction and Growth Strategy
(Vietnamese version of PRSP)

Policy Design and Implementation

- Case 3: Challenges of internal harmonization
 - Incompatibility between ODA management and internal administrative systems
 - Complicated web of vertical & horizontal authorities (e.g., domestic vs. external accountability, central ministries vs. provincial governments, intra-ministerial coordination)
- Case 4: The content of growth strategies
 - Lack of realistic industrial vision; unpredictable and inconsistent policies; limited govt.-business dialogues
 - Insufficient strategic coordination within decentralized decision-making structure (e.g., MOIT, MPI, MOF, MOSTE)
 - Eg. import duties for automobiles & parts (2008) ↔ WTO

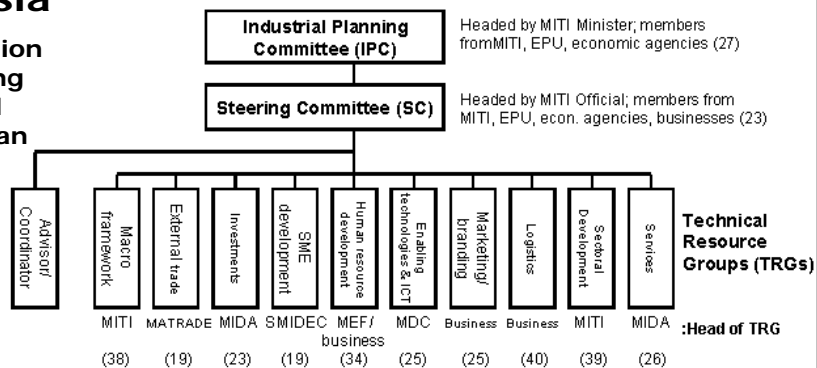
→ *Weakness in development management, compared to more advanced East Asian economies*

Multi-layered Model



Malaysia

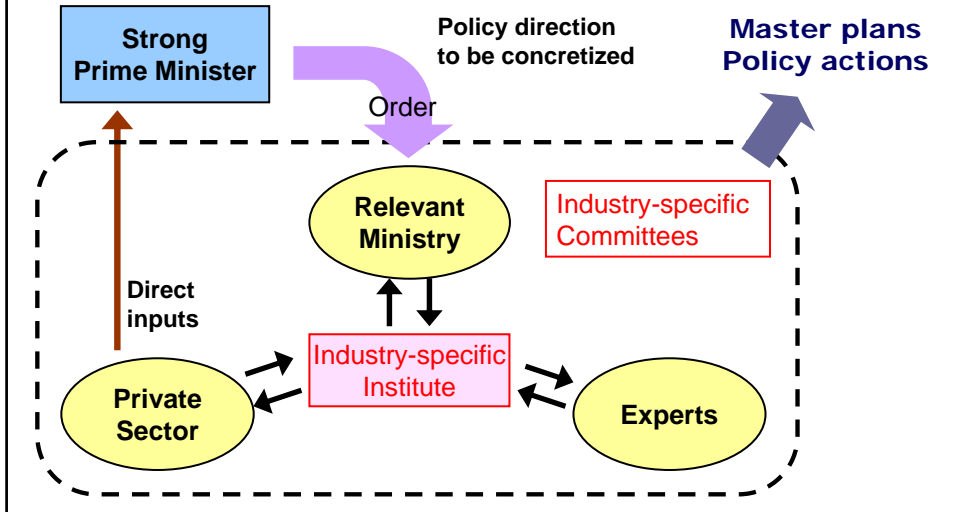
Organization for drafting Industrial Master Plan



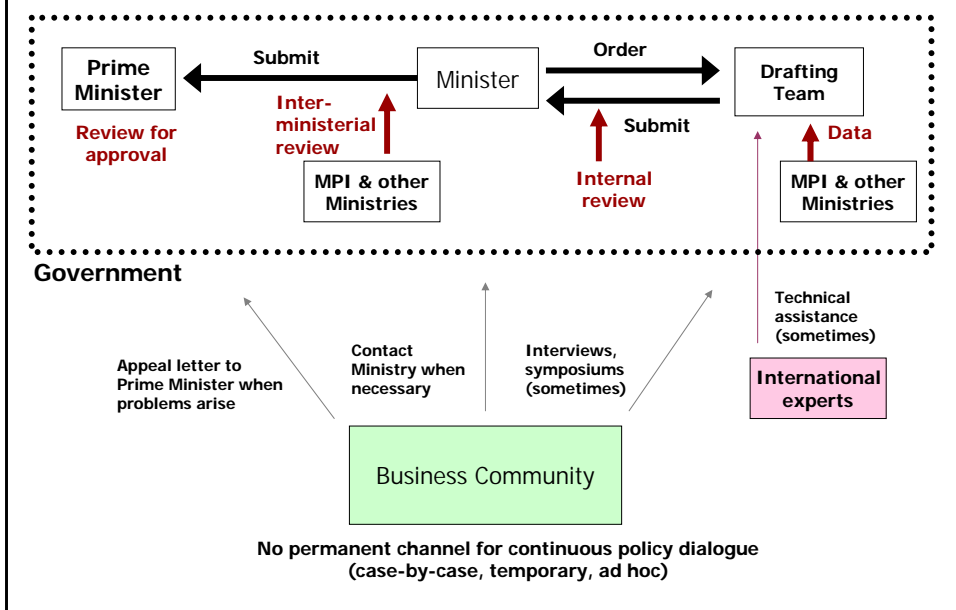
Source: MITI website.

Note: Numbers in parentheses indicate the number of members in each committee or group.

Central Coordination Model: Thailand under Thaksin 2001-06



Vietnam: Traditional M/P Drafting Process



Synthesis

- Ownership concept: need to go beyond aid relationships (← too narrow)
- The role of donors?
 - Should recognize that domestic factors do matter.
 - Importance of identifying entry points for effective assistance; carefully target and integrate aid in gov't's own agenda.
- For fostering true ownership in Vietnam?
 - Increase policy debates and stimulate domestic policy research & training, across agencies and stakeholders.
 - Long-term investments in human resources, for the second generation of policy makers and officials.

THE END