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Looking Ahead for 2004

What new opportunities and challenges will the new year presents to Vietnam's development?

The first task for the Vietnamese government and its development partners is to depict a new vision of development in the coming years, as the work for mapping out the new Five-Year Plan that starts from 2006 will be put into high gear a vision that should embrace both sustainable growth and poverty reduction. The key to this task is how to build on efforts being made in 2003 by the Vietnamese government and the development partners in the following areas.

- **Measures to promote growth:** Amid progress in integrating AFTA, the prospect of accession to WTO, increasingly intense global competition, there is an urgent need to strengthen international competitiveness.

This calls for a drastic improvement in the business environment so that FDI and the private sector, which are the engine of growth, plays a larger role. It is also crucial to effectively incorporate into the vision of development the large-scale infrastructure development that contributes to economic growth and poverty reduction.

- **Accelerating reforms:** Accelerating institutional and policy reforms should continue to be placed as the core of the development vision. Here, the process of policy dialogue on direction, targets and evaluation of performance for such reforms are important.

- **Effective implementation of CPRGS (Comprehensive Poverty Reduction and Growth Strategy):** How to link CPRGS to the new Five-Year Plan is the important task

ahead. Continued efforts should be made to develop CPRGS in provincial level, strengthen the linkage between CPRGS and resource allocation mechanism, and make clear the relationship between CPRGS and sector development plans/strategies.

The second task for the Vietnamese government and its development partners is to translate plans to improve aid effectiveness into action. For donors, "What efforts have been made to increase aid effectiveness?" becomes as much important as "What kinds of assistance have been provided to Vietnam for its development?" Here again, it is important to develop the work done in 2003 in such area as Harmonization Action Plan, alignment to national development plans, capacity building for ODA management, and further progress in harmonization and simplification of the procedures.



Japan-Vietnam Joint Initiative to Improve Business Environment

The work on the "Vietnam-Japan Joint Initiative to Improve Business Environment with a View to Strengthen Vietnam's Competitiveness" will be completed shortly. As the two countries are currently working on the final report including the action plan, it will be submitted to the prime ministers of both countries in mid-December upon approval by the Joint Steering Committee meeting scheduled on December 4 (see the Box in next page).

This Initiative was first proposed by the Japanese Ambassador Mr. Norio Hattori at the Consultative Group meeting in December, 2002, and the work got started when Prime Minister Phan Van Khai agreed with Prime Minister Junichiro Koizumi on the launch of this Initiative during his visit to Japan in April,

2003 this year. Consultants conducted interviews from July to the end of August with the foreign investors and officials in the Vietnamese government and its agencies. Based on these research, they identified the factors thwarting foreign investments in Vietnam, analyzed the perceptions of the Vietnamese government and business firms on them, and put together the draft report proposing specific measures to resolve these impediments. Hence, the Japanese side and the Vietnamese side have discussed the measures to be taken based on the inputs of the consultants.

This Initiative has several important features. **First**, it recognizes the improvements in investment climate as a prerequisite for attracting FDI which will work as the engine to

growth, and, based on this idea, it placed the focus on two points: consistency with international commitments, including WTO and AFTA, and improving investment climate to the level matching that of neighboring countries including China. **Second**, measures which the Vietnamese government is to take are formulated in the form of an actionable and monitorable action plan. Then, this action plan is to be implemented by the commitment of the Vietnamese government as a whole including its top level. **Third**, the Japanese government is ready to support the policy and institution reform efforts of the Vietnamese government incorporated in this Initiative by making use of its ODA. Japan plans to back up their efforts with assistance through JICA, JBIC and JETRO from 2004 onward. **Fourth**, the follow-up mechanism will be in place. Japan and Vietnam, setting up a committee for evaluation and monitoring, will follow up the action plan with a view to ensure its smooth and steady implementation. **Fifth**, the issues covered by this Initiative are not only the Japanese concern, but also the international concern. Many of the items discussed under the Business Forum are covered by this Initiative.

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