

NEW DIRECTION OF JAPAN'S ODA IN VIETNAM

The Country Assistance Program for Vietnam, which defines the basic Japanese assistance policy for Vietnam, will be revised shortly. The new plan replacing the present plan drawn up in 2000 is to cover the next 3-year period and its main features are as follows.

• **Priority Areas**

The new program makes clear commitment to pursue both sustainable economic growth and poverty reduction. It identified promotion of growth, improving living and social conditions and institutional development as "three pillars" of priority areas.

These three pillars are in line with priority issues stated in the development vision of the Vietnamese government and reflected in CPRGS. The Japanese government respects the ownership of the Vietnamese government and gives a positive recognition of the direction of the development vision of the Vietnamese government and intends to support these priorities (see Box below for details).

• **Institution and Policy Environment and the size of assistance**

The Japanese government intends to introduce a new mechanism for considering the size of assistance in evaluating institutional and policy environments. Although this program does not indicate the volume of Japan's future assistance to Vietnam, it provides a mechanism whereby relevant elements such as development needs, aid absorption capacity are to be evaluated; its findings

are shared with the Vietnamese through policy consultations, and commitments for future actions are shown from Vietnamese side; and thereafter a direction of the size of assistance will be considered. In such consideration, institution and policy environment enters as one of the important elements. This is an attempt to introduce the idea of performance-based assistance to the extent possible as a bilateral donor.

• **Collaboration/Partnership with a Broad Range of Development Partners**

Providing development assistance under the ownership of the Vietnamese government and in collaboration with other donors and NGOs based on development strategy shared with them is increasingly important for Japanese assistance to achieve development effectiveness at the macro level. Based on this recognition, this approach will be vigorously pursued.

Based on this consideration, the Japanese government will make an effort both in "sending messages to the international community in working closely with it" and "improving the way of assistance to make it more effective and efficient."

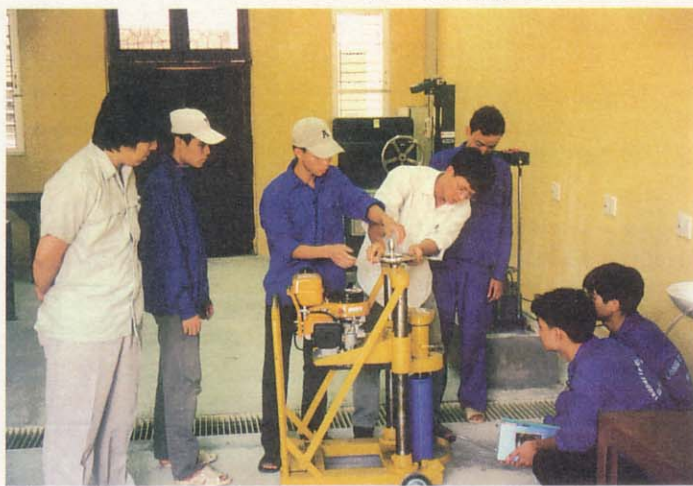
• **Focus on Policy Dialogue**

The new Country Assistance Program has adopted the dialogue-based approach in project formation and selection, moving further than a simple request-based approach. Given that development interventions should be undertaken under the ownership of the developing country,

the provision of development assistance should necessarily be based on a request from the developing country. However, a request-based approach without dialogue should be avoided. Therefore, the Program envisages engaging in policy dialogue to discuss medium-term vision in individual sectors. The idea is that this policy dialogue is to be reflected in the future request from the Vietnamese side. Through such dialogue, Japanese assistance policy is communicated to the Vietnamese, and the Vietnamese development policy and Japanese assistance policy are coordinated with a view to make most use of Japanese

assistance in the framework of Vietnam's development strategy. Furthermore, in this process, efforts will be made to effectively combine the three components of assistance hardware (such as infrastructure), knowledge (such as institution and policy) and human resource development.

These major features of the new Country Assistance Program are consistent with the basic approach of Japan's newly revised ODA Charter. In effect, this Vietnam Country Assistance Program is intended to realize basic policies of the ODA Charter in specific situation on the ground.



The project for Strengthening Training Capability for Technical Workers in the Hanoi Industrial College

PRIORITY AREAS OF COUNTRY ASSISTANCE PROGRAM FOR VIETNAM

Promoting growth requires the engine of growth (the private sector, including the portion by FDI), appropriate institutions and policies, and foundations for economic activities (economic infrastructure and human resources). Based on this recognition, assistance will be provided for improvement in investment environment; SME and private sector development; development of economic infrastructure (transport, power, information and telecommunications); human resources development to support growth; and various economic reforms, including SOE reforms.

Issues in living and social conditions are manifestations of poverty problems. These issues also embrace the areas where the Millennium Development Goals (MDGs) address. These issues also represent failure to meet the requirements for basic human life. Thus, based on the perspective of ensuring human security which focuses on individuals, reducing poverty and meeting human and social needs, assistance will be provided for such areas as education; health and medical care; rural development; urban development; and environment.

Institution buildings, which form foundations of the society and the economy, is essential for achieving accelerated growth as well as for overcoming challenges in living and social conditions. Therefore, efforts will be made to address institutional building as a cross-cutting issue by developing the legal system; and undertaking administrative reforms (including civil service reform and fiscal reform).

