



Time to Take Action: Enhancing Aid Effectiveness

Since the latter half of 2003, collaborative efforts by the Vietnamese government and the donor community toward enhancing aid effectiveness have been intensively going on. Included in this trend was the launching of the Partnership Group on Aid Effectiveness (PGAE) in January 2004 as a framework for regular discussion and crosscutting coordination

between Vietnamese government and donors on aid effectiveness issues. Furthermore, the "Vietnam Action Plan on ODA Simplification and Harmonization: 2004" was finalized as a comprehensive action plan for both the Vietnamese government and donors. The plan incorporates a variety of efforts intended to improve aid effectiveness, and a number of initiatives are currently underway. These include a plan entitled the "Comprehensive Capacity Building Program for ODA Management (CCBP)", promotion of alignment to the National Development Plans utilizing policy matrices initiative, elaboration of the "Discussion Paper on Budget and Sector Support"

(formulated through discussions by related donors based on an original proposal prepared jointly by Japan and the UK-DFID), and harmonization of procedures among the five banks and the Vietnamese government.

Japan has been actively involved and made a variety of contributions in joint work processes related to enhanced aid effectiveness through participation in the PGAE and so on. Japan is also making efforts to improve the efficiency and effectiveness of its own aid on a bilateral basis, called "Sit Down and Talk" initiative. This page outlines the progress of these efforts toward aid effectiveness.

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Progress of Harmonization of the Loan Procedures of the 5 banks

Together with the other members of the five banks (ADB, AFD, KfW, and the WB) and the Vietnamese government, JBIC has been continually working to harmonize procedures in the areas of procurement, financial management, environmental consideration and resettlement, and portfolio management. The objectives of this harmonization initiative are to reduce transaction costs for both the Vietnamese government and the five banks and to improve aid effectiveness.

The five banks plan to take a selective approach from feasible areas of harmonization that 1) greatly reduce transaction costs, 2) can produce tangible results in a short period of time, and 3) produce benefits for both banks and Vietnam. Following the CG meeting of December 2003, the five banks have been working toward harmonization in the area of "environmental safeguards". Based on a study conducted by the ADB, the five banks are engaged in a discussion on possibilities for harmonizing EIA practices. This involves a comparative examination of the environmental guidelines of the five banks and that of the Vietnamese government on their procedures and the extraction of commonalities and differences. Future discussions will look at specific means for achieving results based on the needs of the Vietnamese government.

In addition, in the area of harmonizing project preparations and feasibility studies (F/S), JBIC conducted a comparative analysis of its procedures and F/S form and content against those of the Vietnamese government. It is expected that, as a next step, work to establish a specific agenda for harmonization based on the JBIC analysis and the results of studies implemented by other banks will be carried out.

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Coastal Communication System Project

Comprehensive Capacity Building Program for ODA Management

The "Comprehensive Capacity Building Program (CCBP) for ODA Management" will be announced at this mid-term Consultative Group meeting. It is expected that this program will serve to improve the disbursement rate of ODA projects.

The program will have three major elements:

- Improvement of Vietnamese government systems
- Improvement of project-type management skills
- Dissemination of knowledge of new ODA modalities

It has been pointed out that Vietnam needs to improve its ability for ODA absorption. At the same time, both the Vietnamese government and donors recognize that improvement of the ODA disbursement is a pressing issue.

At a workshop held in June of last year, the Vietnamese government noted how its ODA management capacity must be reinforced, and it proposed that a program toward this end should be carried out jointly by itself and donors. The theme of "capacity building" was taken up as an important topic of discussion at the mid-term CG meeting in June as well as at the Regional Aid Effectiveness Workshop that was cosponsored by Japan, the UK, and Vietnam in October. And, at the CG meeting in December, the Vietnamese government and donors presented a Joint Statement declaring that the CCBP would be formulated by the next mid-term CG meeting.

Japan has actively participated in the formulation of this program from the beginning. Through successive discussions at small-scale working groups and the Partnership Group for Aid Effectiveness (PGAE), Japan has been engaged in formulating the program together with the Vietnamese government and other donors.

In formulating and implementing the program, Japan puts particular emphasis on the following:

- Early improvement of the ODA disbursement rate
- Efforts toward not only training but also institutional improvement by the Vietnamese government (improvement of legal documents, etc.) should be dealt with as urgent issues so that full potential in terms of ODA efficiency and effectiveness can be displayed
- Early program implementation and gleaning of results are extremely important

Japan expects the Vietnamese government to show both ownership and leadership of the program so that capacity building in the country can be realized in a sustainable manner.

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Efforts to improve the effectiveness of Japans grant aid ("Sit Down and Talk")

While the efforts toward harmonization among the five banks are progressing in the area of loans, Japan (the Japanese Embassy and JICA) and the Ministry of Planning and Investment (MPI) are engaged in bilateral discussions (entitled the "Sit Down and Talk Initiative") intended to increase the effectiveness of Japan's grant aid.

The initiative, which is also included in the MPI's "Harmonization Action Plan", was launched under the recognition that there would be considerable room for reducing transaction costs and improving aid effectiveness on a bilateral basis in parallel with the harmonization of procedures among donors. The initiative is also positioned as a follow-up process of the JICA-implemented study "Donor Practices in Vietnam - Grant Aid and Transaction Costs" (March 2003). From September 2003 to May 2004, four plenary dialogue sessions and several informal meetings were held between MPI and Japan. In the course of these dialogues, MPI compiled and submitted a proposal to Japan suggesting concrete measures to improve its Grant Aid operations. As a result, MPI and Japan finalized a joint action plan to improve the effectiveness of Japan's grant aid starting from June 2004.

The joint action plan addresses the issues such as "strengthening dialogue", "information sharing on procedures", "improving transparency", "participation in project formulation and implementation", and "disclosure of project budgets". The plan will be announced at the Mid-term CG meeting in June and move on to the implementation stage, beyond the "sitting down and talking" stage.

Meanwhile, dialogue process will also continue so as to discuss the remaining medium-term issues such as "reducing and rationalizing missions" "improving volunteer operations" etc. Progress in implementing action plan as well as discussions on mid-term issues will be reported to the CG meeting in December 2004 with a view to sharing the lessons learned with the donor community.

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