



**DFID** Department for  
International  
Development

September 10, 2004

IDA DEPUTIES,

**INCREASING AID EFFECTIVENESS AND THE ROLE OF IDA: LESSONS FROM THE VIETNAM EXPERIENCE**

We are writing to IDA Deputies in advance of our October meeting to circulate the attached joint Japan/UK paper, which highlights some key issues for IDA drawn from the Vietnam experience. Holding our July meeting in Hanoi provided an excellent opportunity to reflect on the lessons and successes of Vietnam. This is a country in which the World Bank has worked well with the Government and with bilateral donors in the context of a strong government-led Poverty Reduction Strategy, and has pioneered various initiatives to improve country level effectiveness. Japan and the UK have both been very closely involved in this experience, and we therefore decided to write a joint paper which would draw out some of the key issues for us to discuss at the October meeting.

Kiyoshi Kodera

Peter Grant

cc Jeffery Goldstein ) World Bank  
Geoff Lamb )

## **INCREASING AID EFFECTIVENESS AND THE ROLE OF IDA: LEARNING LESSONS FROM THE VIETNAM EXPERIENCE**

### **JOINT JAPAN/UK PAPER FOR IDA 14**

Over the last decade, considerable attention has been given to increasing the quantity and improving the quality of official development assistance (oda) – not least through the Development Assistance Committee (DAC) of the OECD. To this end, there have been several major developments, including international agreement to:

- Put the Millennium Development Goals (MDGs) at the centre of development;
- Align development partner assistance behind the priorities identified in national development plans and processes, especially the Poverty Reduction Strategy (PRS) process;
- Harmonise, modernise and streamline the support provided to these strategies by development donors; and
- Measure, monitor and manage for results at the country-level.

Yet, despite some improvements, implementation of this new approach has often been rather slow and patchy. Moreover, as the 2004 Global Monitoring Report highlighted, the international community must act more quickly if it is to redress the fact that, “on current trends, most MDGs will not be met by most countries”.<sup>1</sup>

Against this background, IDA Deputies agreed that broader effectiveness issues should become a key theme for the IDA 14 negotiations.<sup>2</sup> Bank staff are currently preparing a document on IDA’s evolving role in the aid architecture which is designed to address a number of key effectiveness issues.<sup>3</sup> The purpose of this paper is to complement the Bank’s own document by highlighting some of the key contributions made by IDA to the development effort in Vietnam - site of our last IDA meeting and a place where the UK, Japan and many other donors have worked increasingly closely together over the past few years. The paper will focus on the following three key features of IDA’s operations in Vietnam: support for the PRS, active promotion of aid effectiveness, and decentralisation.

#### **Support for the PRS**

The recent Operations Evaluation Department (OED) evaluation of the PRS process was broadly positive of the progress which has been achieved since the initiative was started. However, looking forward, the evaluation also identified a number of areas where improvements could be made in order to

---

<sup>1</sup> *Global Monitoring Report 2004: Policies and Actions for achieving the MDGs and related outcomes (DC2004-0006, 16 April 2004)*

<sup>2</sup> IDA Deputies Meeting, Paris, February 2004

<sup>3</sup> The paper is being prepared for the next meeting of IDA Deputies in Washington on

enhance country ownership and partnership. With regards to content, the evaluation highlighted the importance of ensuring that the content of PRSs is both comprehensive and properly fitted to the specific situation of each country.<sup>4</sup> It also noted that there was a particular need in many countries to improve the analysis of policy options aimed at enhancing growth, and assessments of the poverty impact of policies and programmes.<sup>5</sup> With regards to process, the evaluation emphasised that the Bank and other donors should be flexible in making the best use of existing national planning processes and documents; this is important from the standpoint of respecting and encouraging country ownership.

Many of these recommendations are already being implemented in Vietnam. In 2002, IDA and other donors welcomed the government's own Comprehensive Poverty Reduction and Growth Strategy (CPRGS) as the first Vietnamese PRS. The growth analysis of PRS was later strengthened through the incorporation of a new chapter on the contribution of large-scale infrastructure to growth and poverty reduction, and the comprehensiveness of the CPRGS has been important in facilitating donor alignment. The Government is now developing a new five year plan (2006-2010), and IDA is working with the Government and other donors to support the merging of key elements of the CPRGS into the plan. It is hoped this will then be accepted as Vietnam's new PRS, thereby further strengthening government ownership through the usage of national planning systems, and demonstrating the value of the PRS as a living document. Throughout the PRS process, IDA has promoted the widening of consultation and the participation of key stakeholders; it will be important that this continues as dialogue on the five year plan moves forward.

### **Active promotion of aid effectiveness**

There is extensive evidence of the impact of improved aid effectiveness on development outcomes. There are a variety of ways to improve aid effectiveness, and the co-existence of multiple initiatives is to be encouraged. However, in all efforts, country ownership and partnership with donors are key; the improvement of government systems is also essential. The Vietnamese government demonstrates strong ownership of the aid effectiveness agenda in Vietnam, and the Partnership Group for Aid Effectiveness functions well. Many initiatives are in place to improve effectiveness<sup>6</sup>, and IDA has played an increasing role in this area, including through bringing together donors of different orientations. Other donors responded positively to this, thus strengthening cooperation among donors as well as between donors and the Government. Shared operations with other donors take a number of different forms.

---

<sup>4</sup> "reduce or eliminate uniform requirement and foster customization" (OED review)

<sup>5</sup> there is a need for a "wider range of policy options including those aimed at enhancing growth" to be addressed in PRS (OED review)

<sup>6</sup> Five development banks, the Like Minded Donor Group, the United Nations Development Group, the EU Harmonisation and Coordination Initiative, and the 'Sit-down and Talk' Initiative for improving effectiveness of Japan's aid.

**Harmonisation of procedures:** Since 1998, IDA has been working with four other development banks, encompassing 60-70% of the aid flow to Vietnam, to harmonise procedures for loan approvals - based on a Joint Portfolio review which analysed the blockages to effective loan implementation in discussion with the Government. It is anticipated that this work will have an important streamlining effect between donors. Importantly, this work is designed to strengthen and improve Government systems, as exemplified in the procedures for local competitive bidding. Capacity building is important in order that these efforts really take effect. It is hoped among the five banks that these efforts will ultimately lead to the usage of the government system by donors.

**Co-ordination of multi-donor instruments:** IDA has a lead coordination role on some multi-donor instruments and programmes in Vietnam such as the Comprehensive Capacity Building Plan for ODA Management, the Multi-donor Trust Fund on Public Financial Management, and the Poverty Reduction Support Credit (PRSC). A wide range of donors (UK, Japan, Asian Development Bank, Denmark, the Netherlands, Sweden, Australia, Canada and the EC) have either joined the PRSC already or are considering whether to do so in the future. As a result of this collaboration, the PRSC will be worth around \$220m in 2004, far exceeding the \$100m annual IDA contribution. IDA has played a key role in bringing the different donors on board, not least through facilitating agreement on a matrix of policy actions to underpin the PRSC which has been agreed with Government. In this way, the PRSC has not only served as a vehicle for financial support, but has also provided both government and participating donors with a useful forum for policy dialogue on a wide range of issues, including the policy and institutional reform agenda addressed in the PRS.

**Joint analytical work:** IDA's analytical work in Vietnam is often done in consultation with others, and is generally focused on priority issues for the Government. In 2003, IDA coordinated a series of regional participatory poverty assessments carried out by several different donors, NGOs and research institutes. The results of these assessments were then integrated with quantitative data and turned into a poverty report for the Government; the results of this poverty analysis were also disseminated across the country to the provinces. The IDA team is now coordinating discussions aimed at helping the Government take the lead on the 2005 poverty report itself, with support from donors. Looking forward, we would like to see greater consultation by IDA with Government and other donors on the initial scope of future analytical work.

**Support for sector strategies:** As part of the broader process of aligning behind PRSs, it is important that attention is also paid to national sectoral strategies and other development plans. In Vietnam's donor community, it is widely recognised that sectoral coherence is essential, and that a variety of different instruments can be used to support sectoral frameworks, including projects, programme support, technical assistance and budget support. In addition to its important coordination role, the IDA team is looking at implementing new Bank guidance on flexibility of procedures and greater use

of country systems through various efforts such as piloting sector budget support in the education and transport sectors, and relaxing eligibility of expenditures in investment loans (project).

### **Decentralisation**

There is considerable evidence to suggest that a substantive Bank presence in its partner countries is welcomed by both governments and other donors. IDA's office in Vietnam is highly decentralised, with both the country director and the majority of task managers working in country, alongside their professional Vietnamese colleagues. This decentralisation is viewed by partners as one of the IDA Vietnam office's key strengths, improving the quality of operations in a number of ways, and providing an important enabling factor for the positive aspects of IDA's operations described above. One particular benefit is that policy dialogue with Government is carried out through an ongoing process of discussion, rather than through a stop-start, mission based approach; this helps ensure that key developments are not missed and that important decisions are not rushed, as well as facilitating the involvement of other donors in this dialogue.

### **Conclusions**

In summary, we can highlight a number of features of IDA's operations in Vietnam which have made an important contribution to the development effort:

- Support for the Government's own national planning documents and processes as the basis for the Vietnamese PRS;
- Support for a strengthening of the growth analysis underpinning the PRS, and efforts to make the PRS as comprehensive as possible;
- Progress on harmonisation of procedures, and a commitment to strengthen and improve Government systems, including through the provision of capacity building assistance, with the intention that these systems will ultimately be used by donors;
- Efforts to maximise ownership of, and partnership in, the PRSC among the donor community;
- Moves towards producing an increasing share of analytical work in partnership with other donors and Government;
- Efforts to address and enhance sectoral coherence while recognising the value of a variety of different aid instruments in supporting sectoral frameworks; and
- A highly decentralised office, with both the Country Director and many Task Managers based in country.