

Not for citation or publication



May 5-6, 2005 Cape Town, South Africa

**BUDGET SUPPORT AND AID EFFECTIVENESS,
EXPERIENCE IN EAST ASIA**

Hiroto Arakawa
Director General
Development Assistance Department
Japan Bank for International Cooperation



THE WORLD BANK

1. Introduction

In light of efforts to enhance aid effectiveness by both donor and partner countries, and attempts to aid Africa in the period from the Rome Declaration (February 2003) through the Paris Declaration (March 2005), budget support has attracted great attention as a new aid modality for the achievement of MDGs. In addition, for budget support, taking into consideration the previous cases (such as in Tanzania, Ghana, and Vietnam), further efforts to enhance aid effectiveness have been the focus of talks between donor and partner countries. The statement cited below typically indicates the basic understanding that donor countries have with regard to such efforts for enhancement of aid effectiveness¹.

‘... Today there are more than 60,000 aid projects underway in the developing world, often with different administrative procedures set up by the donors. 85% of these projects cost less than \$1 million. This places a heavy burden on poor countries that lack the administrative capacity to handle these demands, and does not help them build their own systems. So when the project ends, the results are often not sustained.

A conservative estimate for a typical African country is that this way of delivering aid translates into thousands of new reports and more than a thousand new annual missions to appraise, monitor and evaluate. Each mission asks to meet with key officials, and each will ask the government to comment on its reports. Strong evidence supports that these donor-driven approaches are one of the reasons development assistance has been under-performing. ...’

This statement, due to the aid environment, especially in Africa, seems to indicate that project assistance is of an off-budget/stand-alone/in-kind type, in which no budget transfers are made to partner countries, and are relatively small in scale.

On the other hand, with respect to the processes of economic development in East Asia and ODA to that region, such an understanding may not be directly applicable. Premised on the basis of comparisons between the experiences in Africa and East Asia, there is an attempt to enhance aid effectiveness by linking various project assistance, fostering ownership by partner countries, and not merely offering aid but collaborating in foreign direct investments and private funds.

The purpose of this paper is to introduce efforts by the Japanese government (GoJ) and Japan Bank for International Cooperation (JBIC) in East Asia (especially in Vietnam) as examples of such attempts to elicit the practical and policy implications. As described in the following passage, the case of East Asia provides a development model resulting from the harmonization processes with donor communities while respecting the ownership of the governments of partner countries in the approaches both to enhance and generalize the capacity for country system operation through ODA project assistance and to use policy leverages through program assistance (budget support and PRSC: Poverty Reduction Strategy Credit).

2. Definition of Aid Modalities and Positioning of JBIC’s ODA Loan

Before discussing the main issue in this paper, some terms must be clearly defined. First of all, the characteristics of the bilateral aid program are defined by the DAC as follows²:

➤ *Project support tends to identify a manageable set of problems from within the*

¹ *Doing Aid Better – A comment piece by Donald J. Johnston Secretary-General of the OECD, and Richard Manning Chair of the OECD Development Assistance Committee, February/March 2005, Paris: OECD*

² *Managing Aid: Practices of DAC Member Countries (DCD/DAC(2004)40)*

complex totality and prescribe the inputs needed to foster local development. Ideally, so as to contribute more significantly to poverty reduction, projects should be situated within the broader development framework, address the multiple concerns of the poor and strengthen the capacities of the poor to achieve sustainable livelihoods.

- **Sector support** or Sector-Wide Approaches (SWAs) contributes, under partner government leadership, towards a single sector policy and expenditure programme and should, where possible, use common management and reporting procedures to disburse and account for all funds. Sector programmes imply a different approach to aid management calling for greater modesty, an acceptance of a slow process of change, and partnership building.
- **Programme aid** consists of financial contributions, not linked to specific project activities, extended to a partner country for general development purposes, such as balance of payment support or general budget support. It is often associated with the promotion of policy reforms at the macroeconomic level and/or in specific sectors.

In addition, the actual ODA modality are specified by the OECD/DAC described in Table 1 below³.

<Table 1>

Project assistance		
Program assistance	General Programme Assistance	Programme assistance made available to a developing country, without specific sector allocation, for development purposes, i.e. balance-of-payments financing, general budget support and commodity assistance. (cf. Structural Adjustment Loan (SAL) with World Bank/ IMF)
	Sector Programme Assistance	Programme assistance directed to a specific economic or social sector, such as agriculture, education, community development and transportation.
	Programme Food Aid Debt Relief	

There are several types of ODA loans by JBIC in response to the development needs of partner countries⁴. In other words, JBIC has provided not only project-type loans but also sector targeted or program based loans. In order to maximize effectiveness of JBIC assistance, JBIC also has technical assistance facility to complement project management efforts.

<Table 2>

OECD/DAC categorization	JBIC Loan types ⁵
Project assistance	Project Loans Engineering Service (E/S) Loans Financial Intermediary Loans (Two Step Loans)
Program assistance	Structural Adjustment Loans (SAL) Commodity Loans Sector Program Loans (SPL)
Debt Relief	

³ OECD [1992], *Development Assistance Manual – DAC Principles for Effective Aid*

⁴ <http://www.jbic.go.jp/english/oec/yenloan/kind/index.php>

⁵ <http://www.jbic.go.jp/english/oec/yenloan/kind/index.php>

Moreover, highly concessional ODA loans has various advantages in terms of enhancing aid effectiveness. It can be summarized into four components⁶. With these advantages, even project assistance can have effective policy leverage at the project implementation level.

- Sustainability:** ODA loans can create incentives for appropriate aid management as it foster sufficient cost recovery mechanism within the partner country government
- Continuity:** Economic and social development is a continuous and discrete process. ODA loans support the seamless transformation of an economy from an aid dependent one (100% grants) to a market dependent one (100% private funding)
- Stability:** ODA loans can mitigate the volatility and predictability of aid funds based on large multi-year commitments thereby creating stability within partner government budget process
- Ownership:** ODA loan projects can foster ownership of partner government as each projects are 'on-budget' and goes through official screening process which examines the consistency with partner government's policy

3. Roles of Budget Support as Development Assistance

Focusing specifically on budget support (general and sectoral), we should identify the differences between the roles and significance of budget support in Africa and those in East Asia.

In the Joint Evaluation of General Budget Support (GBS), in which the Japanese government and JBIC participate, the characteristics of budget support are specified by relevant government agencies as follows⁷:

- *The general characteristics of **budget support** are that it is channelled directly to partner governments using their own allocation, procurement and accounting systems, and that it is not linked to specific project activities. All types of budget support include a lump sum transfer of foreign exchange; differences then arise on the extent of earmarking and on levels and focus of the policy dialogue and conditionality.*
- ***Sector Budget Support** is distinguished from **General Budget Support** by being earmarked to a discrete sector or sectors, with any conditionality relating to these sectors. Additional sector reporting may augment normal government accounting, although the means of disbursement is also based upon government procedures.*

Also, the roles and practices expected of budget support are specified by the OECD/DAC as follows⁸:

*(1) **Budget support should reinforce partner countries' ownership** – When providing fungible resources in the form of budget support, donors should support a partner country's overall development policies and priorities. While this raises a justifiable need to discuss budgetary goals (and related funds-allocation decisions) with a partner government, sustained policy implementation ultimately depends upon the existence of strong political commitment. Budget support should therefore not attempt to leverage policy actions where such commitment does not exist.*

⁶ Ojima, Yasuhisa [2004], *Emerging Issues on Development Finance*, Traffic Engineering (Vol.39, Special Issue), Tokyo: November 2004

⁷ *Joint Evaluation of General Budget Support 1994 – 2004* (2005), Inception Report

⁸ *Harmonising Donor Practices for Effective Aid Delivery Volume 2: Budget Support, Sector Wide Approaches and Capacity Development in Public Financial Management (Preliminary Edition)*, DAC Guidelines and Reference Series (2005), OECD/DAC

(2) Budget support should help to enhance the performance and accountability of partner countries' PFM systems – Budget support provides donors with a legitimate interest in strengthening the PFM systems through which their funds are spent. For both developmental and fiduciary reasons, donors should use the provision of budget support to foster the improvement of partners' PFM systems, including transparency and accountability to their legislature and civil society at large.

(3) Transaction costs incurred by budget support should be minimised – Channelling budget support through national procedures is a way of decreasing transaction costs. Additional transaction costs associated with budget support, such as those incurred through multiple and large-scale PFM assessments, should be kept to a minimum.

(4) Budget support should be delivered in a way that enhances the predictability of resources and reduces their volatility – When drafting their budgetary plans, partner countries' authorities should be able to count on reliable estimates of the amount of budget support, the timing of its disbursement, and clear conditions for its release. Predictability is an important requirement for partner countries' budgetary authorities, particularly with respect to the short-term disbursements of committed aid and the early commitment of future aid flows in the medium-term. Higher predictability, and lower volatility, facilitates the implementation of policies geared towards macroeconomic stabilisation, the design (and implementation) of MTEFs, the strategic allocations of funds across policy priorities, and the rational choice of the most cost-effective financing strategies. However, experience shows that the actual timing and size of budget support commitments and disbursements are subject to a certain amount of variability. While this may be partly due to partner countries' behaviour, donors should seek to eliminate those sources of volatility under their control.

A growing interest in budget support and discussions regarding the aims and expected roles of the support mentioned above are rooted in the discussions of the late 1990s⁹. In consideration of such a context as well as the expectations of budget support as compiled above, the purpose of the introduction of budget support can be emphasized as the direct transfer of aid funds to the budgets of partner countries. But, the question arises whether budget support is a panacea to any country or not. Let us look at two countries i.e. Tanzania and Vietnam to compare the different roles of budget support assistance.

In Tanzania, aid accounts for 75% of government expenditure, about 14% of GDP and more than 80% of investment (2003)¹⁰. It has received HIPC debt relief, and thus efficient aid management is a critical component of the country's fiscal management. The share of private sector finance in the economy is still relatively small. Historically 'stand-alone/ off-budget/ in-kind' type assistance have been prevalent, but since the introduction of PRSP as the national strategy, Tanzania's approach has been to: (i) deliver aid in accordance with the priorities outlined in PRSP; (ii) harmonize donor procedures with the government systems; and (iii) channel aid increasingly through program aid, particularly general budget support¹¹. Now Tanzania is often cited as a model of donor-government partnership. The important characteristic of general budget support in Tanzania is that it supports the

⁹ Such perspectives include: a) the argument that aid works in good policy environment, focus on ownership, effective aid allocation (*Assessing Aid*, Dollar et al., 1998 etc.), b) greater focus and linkage between debt relief (HIPC Initiative) and poverty reduction (PRSP) such as allocation of HIPC relief funds to pro-poor expenditures, c) greater focus on aid that supports effective processes based on recipient country environment, d) greater focus on aid effectiveness (ownership, alignment, harmonization etc. and the trend towards SWaps, PBAs etc.), e) volume of aid to meet the MDGs (Monterrey Consensus etc.).

¹⁰ Ohno, Izumi and Y. Niiya [2005], *Good Donorship and the Choice of Aid Modalities – Matching Aid with Country Needs and Ownership*, Tokyo: GRIPS Development Forum.

¹¹ Ohno and Niiya [2005]

government's budget implementation process directly, along with Sector-wide Approach (SWAs) in important social sector programs.

In Vietnam, however, we see a different picture. Aid accounts for about 18% of government expenditure, about 5% of GDP and about 15% of investment (2003). It has not applied for HIPC debt relief. Private sector finance has an important role to the country's economy, and private sector development is the priority agenda for transition to a market economy. A specific line ministry coordinates the overall development budget, and thus development planning, FDI promotion and aid coordination is led by strong government ownership. 75% of total aid flow to Vietnam is shared by the World Bank, Asian Development Bank and GoJ/JBIC, and since large-scale project assistance has a major share within aid flows and that procedural harmonization among donors has advanced, there is relatively lower transaction cost incurred. The important characteristic of Vietnam is that project assistance is dominant in its development effort, and budget support functions as a complementary tool to disseminate and replicate concrete outcomes from individual project assistance towards realization of growth-oriented structural reform processes¹².

The above comparison shows that there are different roles and significance of budget support between Tanzania and Vietnam because of the differences between two countries' development agendas, including foreign aid management reflecting their aid dependency. It is also important to note that the CPRGS (Comprehensive Poverty Reduction and Growth Strategy) adopted by Vietnam is a growth-oriented one¹³, and thus the country's development agendas and programs have been supplemented with budget support¹⁴. However, how is it possible to efficiently and effectively utilize the various aid modalities, including budget support, to address the development agendas?

Ohno and Niiya [2005] developed a DPM (development policy matrix) as a tool for specifying the relationships between such aid modalities and development agendas (Figure 1). The DPM can indicate the position of certain project or a program within the Y-axis representing policy and institutional level vs. project implementation level, as well as X-axis representing macroeconomic policy vs. sector and local administration¹⁵.

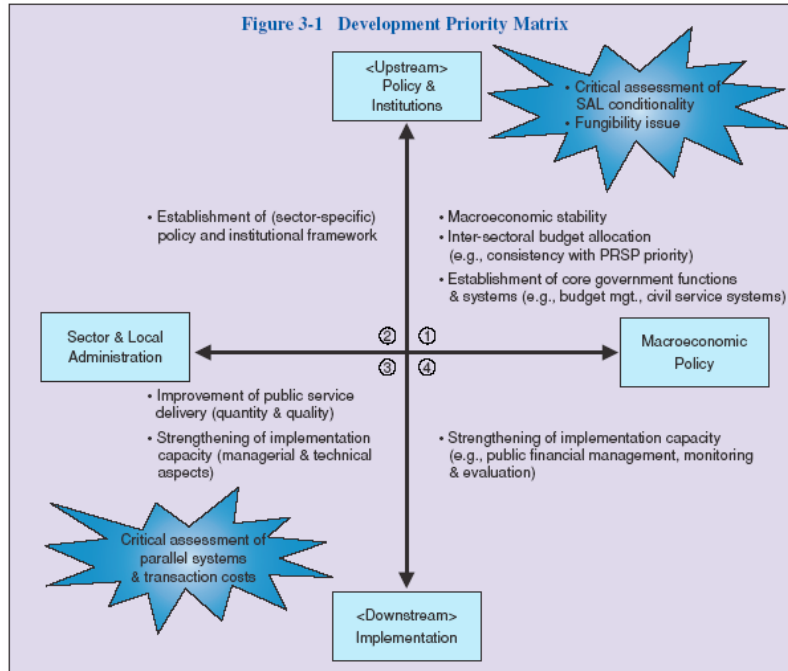
¹² Ohno and Niiya [2005]

¹³ Ohno, Izumi [2002], *Diversifying PRSP – The Vietnamese Model for Growth-Oriented Poverty Reduction*, National Graduate Institute for Policy Studies (GRIPS), October 2002

¹⁴ A comparative study between Ghana and Vietnam suggests similar observations. (Ozeki, Yuzuru [2004], *PBS Programs and Growth in Vietnam and Ghana – A Note on Comparative Policy Issues*, compiled with notes for the presentation made by the author at LENPA Forum, June 1-3, 2004 in Tokyo, Japan on 'Program Based Approach in Asia – Adapting to Diversity')

¹⁵ Ohno and Niiya [2005]

<Figure 1>



(Source: Ohno and Niiya [2005])

4. Aid Coordination and Harmonization for East Asia (Vietnam)

This chapter describes the results of aid coordination and harmonization in Vietnam mainly from the viewpoint of GoJ/ JBIC. This is followed by an analysis of JBIC assistance to Vietnam using the DPM is attempted.

Table 3 illustrates the chronological efforts for harmonization and enhancement of aid effectiveness, in association with the commitment of GoJ/ JBIC to the CPRGS development process.

< Table 3 >

<p><u>Before May 2002</u></p> <ul style="list-style-type: none">• Vietnam requested harmonization through JPPR, separately from international discussions. <p><u>May 2002 (Interim CG) - February 2003 (Rome Declaration)</u></p> <ul style="list-style-type: none">• In the wake of the approach by the World Bank, the three banks (World Bank, ADB and JBIC) agreed on the three areas of procurement, financial management, and environment in the harmonization action plan. <p><u>February 2003 (Rome Declaration) - December 2003 (Harmonization Action Plan)</u></p> <ul style="list-style-type: none">• The two banks (AFD and KfW) joined the project in May 2003. JPPR was implemented.• During this period, an initiative for harmonization was developed throughout Vietnam. Vietnam proposed the issues of <i>harmonizing</i> and aid modalities (including financial aid and migration to SWAs).
--

December 2003–February 2005

- Group on Aid Effectiveness (GAE) was established.
- Based on the experience of the five banks (in procurement, for instance), JBIC presented the view that harmonization only among donor countries or harmonization of ODA-related projects would not lead to solutions but that it is much more essential to improve public investment systems developed by the governments of partner countries. (If they were improved, donor countries would be able to fully utilize the systems of the partner country.) The issue of country systems presented by the World Bank and the importance of building capacity were integrated.
- A mutual understanding between Vietnam and donors was promoted from the views that *improvement in overall management of development funds would be necessary* and that *utilization of country systems would not be viable without capacity building*.
- Local Projects in Vietnam (two main headings and contents of activities):
 - Reinforcement of Procurement Systems → Capacity Building
 - Intensification of Public Finance Management (PFM) → Development of MTEF, PFM Intensification Project, Integration of Reporting Systems for ODA Projects
- GoJ/ JBIC efforts to PRSC3
 - ✓ Focus on Public Expenditure Management and Improvement of Business and Investment Environments: The proposals by Japan were reflected in the policy matrix. The *Japan-Vietnam Joint Initiative Action Plan* was reflected in the matrix for improvement of business and investment environments in April 2003.
 - ✓ Improvement of Business and Investment Environments: This was based on the awareness of the problem that foreign capital investments was not advanced due to regulations regarding foreign capital, flaws in the fundamental rules and administration, the lack of support industries and other underdevelopment factors in the investment environment.
 - ✓ Public Spending Management: For implementation of individual infrastructure development and enhancement of public spending efficiency, pursuit of consistency between investment budget and ordinary budget, appropriate examination of public investment programs, and establishment of evaluation frameworks were included as future tasks. The chapter for *the roles of large-scale infrastructure in poverty reduction* was added to CPRGS as proposed by GoJ/ JBIC.

The five banks initiative described in Table 3 above was launched primarily on the assumption that harmonization (integration of five banks' systems to the country systems of Vietnam) for financial management and safeguard policies could be realized at the project level.

Among the five banks initiative, an example of accelerating policy reform through individual projects was the improvement of public procurement systems. Donor countries accepted, with certain conditions, the draft standard documents for local competitive bidding (LCB), which had been prepared on the basis of the current framework (Procurement Ordinance #88/66) in respect for the procurement reforms initiated by the Vietnamese government. At the same time, as for the problems of the draft LCB standard documents attributable to the country's procurement system as a whole, the adopted approach was to seek improvement (from a medium-term perspective) continuously during the course of the development process for the New Procurement Ordinance by the Vietnamese government. Japan International Cooperation Agency (JICA) contributed significantly with regard to capacity building in public expenditure management through its technical assistance. This was notably a collaborative contribution by GoJ as a whole in addition to the harmonization process among the donor community.

There are two major findings from the above process:

- (1) The experiences at the project level led to the capacity building and the establishment of comprehensive country systems at the national level.
- (2) Standardizing the use of country systems in implementation of ODA projects created incentives for implementation of necessary policy reforms under budget support framework.

These findings provided us with four major lessons with regard to enhancing aid effectiveness through harmonization:

- (1) Importance of Short-Term Outcomes
 - Prompt production of tangible outcomes in the short-term is important because it will contribute to both the partner countries and the donors from the perspective of securing momentum toward harmonization by both donor countries and partner countries.
 - To this end, donors should implement harmonization in the areas where methods and processes are unnecessarily different among donor countries. Also, harmonization and simplification should be implemented at an early stage in the areas where both donors and partner countries can implement harmonization and simplification easily and reduction of administrative costs is effective.
- (2) Cost of Harmonization
 - As harmonization requires coordination among different organizations within both the donor and partner countries, the administration costs of the partner countries tend to increase significantly. Therefore, the efficient and cost-effective processing of harmonization is critical.
- (3) Areas of Harmonization
 - While simplification of procedures is essential with respect to the reduction in partner countries' administrative costs and aid harmonization, safeguard policies and transparency are required to meet international standards. The task is to provide a method to fulfill these two requirements simultaneously.
 - In a practical sense, however, the areas where both are easily fulfilled are limited.
- (4) Consistency with Partner Country Systems
 - Adoption of higher standards for ODA than those for domestic operations is not always sustainable.
 - While harmonization in ODA may lead to enhancement of operational efficiency and a reduction in processing costs, differences in the rules and methods between domestic operations and ODA operations are entrenched, which may lead to an increase in the administrative costs of the partner countries.

Now let us look at GoJ/ JBIC's harmonization experience from the viewpoint of the modality selection process and from the reduction in administrative costs. The following four points are important from the perspective of awareness of the problems for enhancement of aid effectiveness.

- (1) country specific approaches respecting the ownership and leadership of partner country
- (2) respect for the diversity of aid modalities
- (3) respect for capacity building and participation of civil societies; and
- (4) neither specific modalities nor selection of specific modalities for individual partner country is emphasized¹⁶

In the case of Vietnam, Figure 3 shows that budget support (PRSC) has a significant effect on policies and systems, and individual infrastructure projects also have an effect on policies and systems through project implementation. In addition, the conditions of the budget support (PRSC)

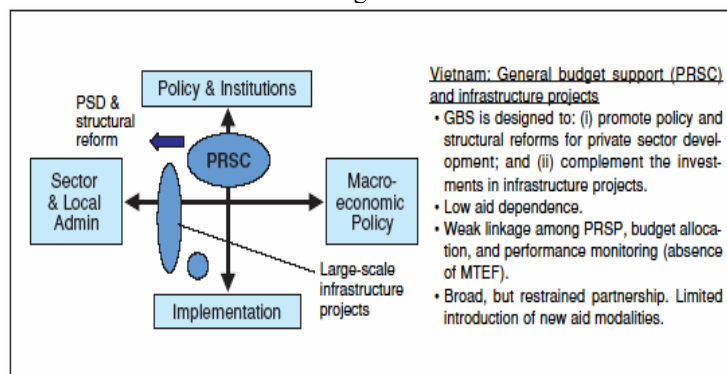
¹⁶ Ohno and Niiya [2005]

have an effect on the mobilization of private resources for each sector and the structural reforms of the financial sectors, etc.

It also shows that project assistance and budget support (PRSC) have complementarities. While the PRSC is focused on the improvement of institutional frameworks, project loans provides replicability at the micro level to individual projects.

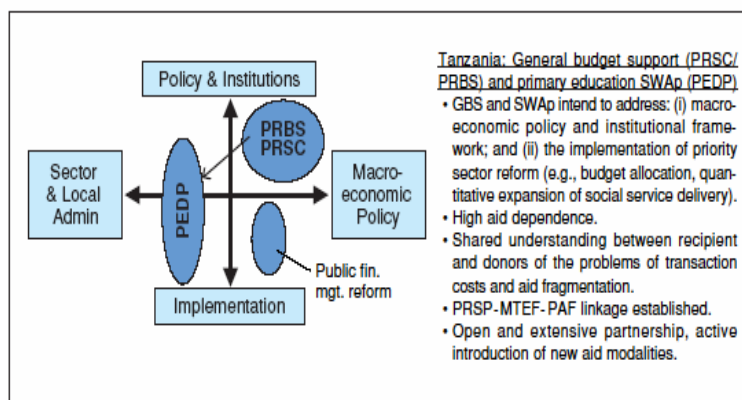
Based on the size of JBIC's ODA loans, it seems that it incurs extensive transaction cost. However, transaction cost that is avoidable and learning-by-doing cost are mutually exclusive. Therefore, the latter should be regarded as constructive investment costs. Needless to say, however, minimizing any administrative costs for JBIC's projects is important, as a general rule.

<Figure 3>



In the case of Tanzania, Figure 4 shows that general budget support and pooled finance are most favored because project assistance (small scale) is applicable on when they are in this framework, and that the alignments of budgets can be improved if projects are placed on a budget.

<Figure 4>



5. Conclusion and Implications on Future Assistance to Africa

Conclusion

The lessons from the experience in Vietnam can be summarized by the following two points:

- A) The necessity for a balanced response to conflicting demands, such as simplification of ODA project procedures, and introduction of international standards for improvement of transparency.
- B) Strong respect for ownership of the governments of the partner countries.

In other words, the actual experience at the project level in terms of JBIC ODA Loans will lead to capacity building at the national level as well as establishment of comprehensive country systems. Standardizing the use of the country system through implementation of projects will automatically provide an incentive to partner country governments to accelerate the reforms that are supported through budget support. Thus, A) and B) were exercised.

The harmonization process of the five banks in Vietnam does not merely seek efficiency in ODA projects and swiftness in ODA disbursement. The process has been implemented from the viewpoint of assisting the capacity development of partner countries, such as how to improve the overall public expenditure system and to replicate the best practices learned under ODA projects.

As seen from the examples in Vietnam, “good projects” are characterized by the major premise of respect for the ownership of the governments of the partner countries; consistency with the development plans of the countries and their domestic projects; investment/maintenance costs are on-budget, and effectively replicating institutional building. The effects expected from these “good projects” may be similar to the four effects expected from budget support through the above organization by DAC. JBIC considers that budget support can be an effective tool for supporting such “good projects.”

Swift transfer of aid resources from donors to partner countries is not a sufficient condition for enhancement of aid effectiveness. As long as the ODA funds transferred to the partner countries are converted into services and delivered to the beneficiaries through the public expenditure system of the partner countries, the efficiency of the entire public disbursement system of the partner countries may be more important than facilitation of fund transfer to the partner countries.

From a mid- and long-term perspective, the donors should support intensification of human resources and institutional aspects of the partner countries and seek expansion of the usable range of their country systems in ODA assistance. The process should be implemented at a pace appropriate to the administrative or social capacity of the partner countries according to their degree of ownership.

Furthermore, no single model exists for enhancing aid. A major premise is that such aid should be based on such initial conditions as differences in individual local characteristics, historical politics/economics/social structure, donor structure, and the historical reality of aid acceptance. Based on these, it is important to improve the budget expenditure system, which enable efficient distribution of aid funds throughout the entire flow, to foment synergy through effective use of aid modalities rather than for the sake of argument on the choice of specific aid modalities?

Implications on Future Assistance to Africa - The Way Forward

How the future assistance to Africa should be from the approaches and experience in harmonization of aid to East Asia (Vietnam)?

The significance and appropriateness of budget support to Africa should be assessed based on the environment fostered in country-by-country approaches between the governments of partner countries and the donor community and on the foundation of political/economical/social conditions. Also, development will be a mid- and long-term approach as well as a continuous process involving economic and social changes in the partner countries. Therefore, it is necessary to recognize that sufficient time is required to achieve results in approaches emphasizing development results. Thus, it will be essential to respond from a mid- and long-term perspective based on changes in the development needs of the partner countries.

Whether the priority problems of partner country government can be addressed by direct public actions via public expenditures and policies (such as primary education and health issues) or by private sector activities and limited role of the government is a critical point to begin with. In fact, pro-poor growth requires growth promotion and private sector development, namely, the development of agriculture, industry and business, for which both public actions and the behavior of private agents (e.g., firms and farmers) matter¹⁷.

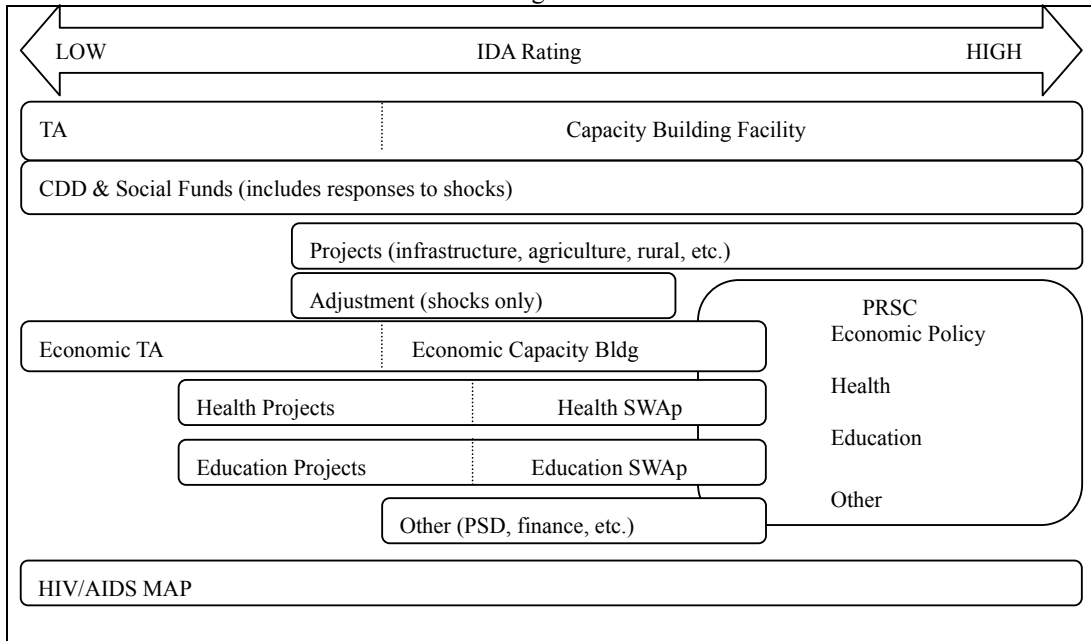
In this connection, the Strategic Framework for Assistance to Africa (Fig. 5) of the World Bank IDA is highly suggestive for identifying “good projects” in future assistance to Africa. It is noteworthy that it is based on the premise of various aid modalities dependent on the partner country policy/system as well as upon reflection of the lessons from SAL assistance in the past. However, this framework may not be self conclusive. Construction of an efficient aid environment for “good projects” promotion based on the viewpoint of private sector development and investment is required, and the weight of each aid modality will also naturally change depending on the country.

In the case of Tanzania described previously, the Japanese government (as well as JICA) is currently in the process of establishing a second-generation PRBS, while providing assistance with a combination of approaches according to the progress of funding for PRBS, participation in forming a PRSP system to execute the PRBS, and a SWap in the agricultural sector. An argument for this is that there is a possibility of shifting or morphing into the growth-oriented PRBS from the first-generation social sector-oriented PRBS. The positioning of Tanzania, as shown in Fig. 5¹⁸ below, will shift further to the right; however, the key point is whether it is growth oriented or not. This process of shifting seems to indicate at the same time an observable similarity to the above-mentioned process in Vietnam. Also, a critical view of the model in Figure 5 indicate that the issue of repositioning budget support will have major significance as development become growth oriented.

¹⁷ Ohno and Niiya [2005]

¹⁸ *Strategic Framework for Assistance to Africa: IDA and the Emerging Partnership Model, 2004*, IDA

< Figure 5 >



(Source: IDA)

In order to foster productivity and thereby accomplishing the MDGs and achieving poverty alleviation in Africa, creation of network infrastructure, agricultural development, private sector development, and improvement in the investment environment are critical. In this connection, the concept of pro-poor growth seems to play a very important role in the African context.

The viewpoint that the ultimate goal is to make the respective partner country transit from an aid dependent economy to a private sector dependent economy (exit from aid) is an important one, which is very much relevant in the ongoing debate on budget support and aid modalities.

=* =

Reference Materials

- ADB/JBIC/World Bank [2005], *Aid Effectiveness in East Asia – Joint Efforts of Partner Countries*, Asian Development Bank, Japan Bank for International Cooperation and the World Bank, distributed at the Second High-Level Forum on Aid Effectiveness, February 28 – March 2, 2005, Paris, France
- DFID [2005], *Joint Evaluation of General Budget Support 1994–2004 – Inception Report*, March 2005
- Duong Duc Ung [2005], *Vietnam's experience in strengthening procurement and public financial management systems in Harmonization, alignment and capacity development*, presented at the Second High-Level Forum on Aid Effectiveness, February 28 – March 2, 2005, Paris, France
- JBIC [2005], *Medium-Term Strategy for Overseas Economic Cooperation Operations by the Japan Bank for International Cooperation*, April 2005
(<http://www.jbic.go.jp/english/oec/policy/index.php>)
- OECD [2005], *Paris Declaration on Aid Effectiveness – Ownership, Harmonization, Alignment, Results and Mutual Accountability*, March 2005, Paris: OECD
- OECD [2005], *Doing Aid Better – A comment piece by Donald J. Johnston Secretary-General of the OECD, and Richard Manning Chair of the OECD Development Assistance Committee*, February/March 2005
- OECD/DAC [2005], *Harmonising Donor Practices for Effective Aid Delivery: Volume 2: Budget Support, Sector Wide Approaches and Capacity Development in Public Financial Management*, A DAC Reference Document, DAC Guidelines and Reference Series, Paris: OECD
- OECD/DAC [2004], *Managing Aid: Practices of DAC Member Countries*, DCD/DAC(2004)40, Paris: OECD
- Ohno, Izumi [2002], *Diversifying PRSP – The Vietnamese Model for Growth-Oriented Poverty Reduction*, National Graduate Institute for Policy Studies (GRIPS), October 2002
- Ohno, Izumi and Y. Niiya [2005], *Good Donorship and the Choice of Aid Modalities – Matching Aid with Country Needs and Ownership*, Tokyo: GRIPS Development Forum.
- Ojima, Yasuhisa [2004], *Emerging Issues on Development Finance*, Traffic Engineering (Vol.39, Special Issue), Tokyo: November 2004
- Ozeki, Uzuru [2004], *PBA Programs and Growth in Vietnam and Ghana – A Note on Comparative Policy Issues*, June 12, 2004, compiled with notes for the presentation made by the author at LENPA Forum, June 1-3 in Tokyo, Japan on “Program Based Approach in Asia – Adapting to Diversity”
- World Bank/IDA [2004], *Strategic Framework for Assistance in Africa: IDA and the Emerging Partnership Model*, 2004