

**THE UNIVERSITY OF TAMPERE**

**School of Management**

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**MASTER PROGRAMME OF PUBLIC POLICY  
AND FINANCIAL MANAGEMENT**

**FINAL THESIS**  
**EVALUATING THE IMPACT OF OFFICIAL DEVELOPMENT  
ASSISTANCE (ODA) TO THE VIETNAMESE ECONOMY  
IN PERIOD 2011 - 2015**

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## **ABSTRACT**

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Evaluating the impact of Official Development Assistance (ODA) to the Vietnamese Economy in period 2011 - 2015.

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Keywords

ODA resource and contribution to Vietnamese Economy, ODA direction, using and management.

This thesis will present the theories on ODA management and confirmation the important role of ODA resource for the socio-economic development in Vietnam in the period 2011-2015. Based on the analysis of results and experience lessons in attracting and managing the use of ODA resource in Vietnam during the past time, to propose the direction, solutions applied to improve the attraction and management to use the ODA resource in Vietnam in coming time.

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# **CHAPTER 1. INTRODUCTION AND SIGNIFICANT OF RESEARCH TOPIC**

## **1.1 Introduction**

Official Development Assistance (ODA) is the official transaction established for the main purpose of promoting the socio-economic development of developing countries. The financial terms of this transaction have the concessional characteristic and grant elements accounting for at least 25% (OECD, 1972). Therefore, ODA plays a vital role for developing countries including Vietnam. After over thirty years of innovation, the socio-economic situations of Vietnam have changed dramatically, the economic growth speed has increased sharply; the industrialization and modernization of the country have been pushed strongly. However, in order to fulfill the target as to be basically an industrialized country towards modernization, the demand of investment capital resources is essential for economy development. It is widely common that the domestic capital needed to promote economic growth in developing countries is insufficient then the external capital resources are very significant for such a developing country as Vietnam, in which, Official Development Assistance (ODA) and the concessional loans play a vital role for the development of Vietnam.

Vietnam has officially received ODA since the Round Table Conference on ODA for Vietnam, held in Paris on November 8, 1993, kicked off the development cooperation between Vietnam and foreign donors and been one of the major ODA recipients in Asia region. Up to now, there are over 50 multi-bilateral and bilateral foreign donors providing ODA and concessional loans to all social-economic sectors of Vietnam. The amount of ODA from foreign donors' commitment to Vietnam has reached at about 80 billion USD by 2015. This figure showed the strong support of Foreign Donors Community to socio-economic strategy of Vietnam. The total amount of signed ODA in period 1993-2012 was about 56.05 billion; accounting for 71.69% of committed ODA, including concessional ODA loans reached 51.5 billion USD accounting for 88.4% and grant ODA reached 6.7 billion USD, accounting for 11.6%. The total amount of ODA reimbursement ratio in this period reached 37.59 billion USD accounting for 66.9% of committed ODA. Although ODA and concessional loans only take up 4% of GDP but it still accounts for average from 15% - 17% of the total investment for the society during this period. This shows that ODA and concessional loans still play an important role to the investment for development in the context where the state budget lacks capital for investment.

However, besides these achievements, management and using of ODA funds in Vietnam have remain limitations regards of allocation, disbursement and management etc. Vietnam needs to take

advantage of favorable opportunities and overcome challenges and difficulties to achieve more effectively of ODA management in the future.

## **1.2 Aims and objectives of the research**

From a poor country, Vietnam has become a middle-income country. But the achievement also presents challenges Vietnam for the near future as it gradually reduces its dependence on ODA funds and develops the nation by itself. With their long maturity and low interest rates, ODA resources have brought a new look to the Vietnamese economy. In just more than a decade, ODA resource has focused on infrastructure, agriculture, education, and economic reforms.

The first purpose of this present thesis is to concretize the policies and guidelines of the Government in attracting, managing and using ODA funds and concessional loans of foreign donors to support the implementation of the 10 years - socio-economic development strategy for the period 2011-2020 and the 5 years socio-economic development Plan for the period 2016-2020. The second purpose is to evaluate the actual situations of attracting, managing and using ODA funds in Vietnam. The third purpose is to propose solutions to improve ODA management effectiveness in Vietnam for the coming time.

## **1.3 Methods of the research**

A literature review was conducted with aim to have a background on the theoretical framework of ODA management and ODA evaluation, to understand the story lines of ODA, to update trends of ODA management in the world, to learn about experiences on ODA management of other countries and to understand the policy of Vietnam to ODA management.

Thus, the literature review is selective rather than comprehensive and primarily descriptive. The literature review limits itself to the theories and studies on ODA management and ODA evaluation. It focuses not only on scientific articles but also those, which are practitioner-oriented. In addition, a number of reports and studies on the ODA management of Vietnam both in English and Vietnamese were approached. In summary, the author has conducted review on the following main types of documents, including (i) handbook/guidance of international organizations and big country donors on Aid management; (ii) reports concerning ODA management and evaluation collected from international workshops as well as from Government of Vietnam; multilateral and bilateral donors to Vietnam; (iii) joint statements of international conference on ODA management such as Paris Declaration (2005) or Busan Partnership Agreement (2011); (iv) studies on ODA management in general and Vietnam's ODA management in particular; and (v) legal documents of Vietnamese Government providing guidance on policy, strategy and framework of ODA mobilization, management and usage in Vietnam.

Regarding to theories and researches on ODA management and ODA evaluation, a literature search was undertaken on the various online databases of University of Tampere library. A number of search phrases have been tried in an effort to find the relevant articles (e.g.: *aid management*, *ODA management and ODA evaluation*). Most of the articles found on ODA evaluation come from the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD). In terms of aid effectiveness and ODA management, a various reports of international workshops, annual reports and studies of development organizations and big donors such as OECD, UNDP, World Bank, ADB, etc. were found.

Since the study aims to have an assessment of the ODA management in Vietnam in the period 2011 - 2015, the desk review on ODA management and institutional arrangements and legislations relating to ODA project management issued by Vietnamese Government in the period from 1993 to 2016 was conducted. It aims to have an overall picture of Vietnam's policy to ODA management since the beginning to present. In addition, both methods of quantitative and qualitative research was applied for analyzing the status of ODA management in Vietnam as well as the impact of ODA to Vietnam economic in the period 2011 – 2015, of which the method of quantitative research is emphasized. As the statistic data of the reports found is various, the study used secondary data instead of primary one. Most of the information, materials and data used for analysis were extracted from government agencies of ODA management such as Ministry of Planning and Investment (MPI) of Vietnam or Ministry of Finance, General Statistical Office (GSO), as well as from multilateral and bilateral donors including GIZ, JICA, EDCF, World Bank, Asian Development Bank etc.

Taking advantages of an official of Foreign Economic Relations Department in Ministry of Planning and Investment (MPI), the author has opportunities to access a huge database on ODA management. Particularly, MPI is a government agency performing functions of state management over planning, development investment and statistics, including the provision of general advices on management of official development assistance. MPI takes responsible for advising and assisting Government in development and dissemination of policies and legal documents on ODA management and usage as well as focal point agency on planning and monitoring public investment of Vietnam. As regulated, the ministries and provinces across the Vietnam submit annual and midterm investment plan to MPI for reviewing, compiling and submit for Government for approval. Also, the ministries and provinces must send reports on management and implementation of investment plans to MPI by monthly, quarterly and annually. Therefore, the database of ODA found in MPI is updated, accurate and synthetic. Moreover, given assigned as focal point agency of Government on public investment, MPI has a good relationship with other ministries and

international donors. Most of ministries and international donor always share their reports and studies on ODA management, especially ODA management in Vietnam to MPI. Therefore, the author choses to use the available data rather than conduct surveys on ODA management for the research.

In order to measure the impact and achievement of ODA management in Vietnam, the best way is to measure it based on empirical data. The data on the total amount of ODA mobilization, disbursement and the ration of ODA projects/programs by sector will show the actual situation of the ODA management. Thus, the study selected reports of government agencies, international donors and joint evaluations reports of donors and government agencies from 1993 to present to extract data of ODA management and make an analysis on these data. As the thesis focus on the impact of ODA to Vietnam economy in the period 2011 – 2015, the database and information of this period is emphasized. And based on that, the thesis conducted a comparison between these periods with the previous remarkable period to see what changes are since Vietnam started to receive ODA and become a low-middle income country. Also, through analyzing the collected database on ODA management, the thesis provides an overview on the actual situation of ODA attract management and usage in Vietnam. The author also made a comparison between the planned number and actual one to see the concretization of policies and guidelines of Government on ODA management. Then, it identified the strengths and weakness of ODA management and usage, find out constraints and limitations in both management and implementation at all level for the purpose of determining solutions for improving effectiveness and efficiency of ODA management in Vietnam for the coming time.

Besides, key informant interviews were implemented within the framework of the study in order to gain better understanding of the opinion of Government's officials at manager level about ODA management in Vietnam. A group discussion was conducted among officials who are in charge of ODA management and ODA projects under key ministries such as Ministry of Planning and Investment, Ministry of Finance, Ministry of Transportation, State Bank of Vietnam. The author also consulted with colleagues working on portfolio departments of the World Bank and Asia Development Bank in Vietnam. The topic raised for discussion and consultations focused on answering the emerging questions of ODA management, both in terms of decision making process and project/program implementation, such as approval procedures, disbursement, procurement process, etc. Therefore, three key questions were used at the discussion including how to speed up the procedures of ODA project proposal approval, how to harmonize the ODA procedures by and between Government and donors, and what actions should be taken to further improve effectiveness of ODA resources in the changing context. The discussion was fruitful as all attendees are working

on ODA matters on their daily works. In addition to the face to face interview and group discussion, the author also exploited recording of studies on ODA Project Management Units. The recording of the interviews with representatives of PPMUs as well as with MPI's leadership (both incumbent and retired) were reviewed and analyzed. These recordings provided view of policy makers on the direction for professional and sustainable ODA management. Former and incumbent leaders of the Foreign Economic Relations Department (MPI) were chosen as subjects of these interviews. The study gathered opinions of PMUs' representatives at some discussions or workshops concerning ODA management to make references for the analysis on the implementation of ODA projects in Vietnam.

#### **1.4 Research problems**

Based on the assessment report of Ministry of Planning and Investment, to ensure the achievement of the planned objectives and tasks, according to the five-year of socio-economic development plan (SEDP) in period 2011-2015, the total investment capital of the whole society for this period as estimation is about VND 5,745 – 6,140 trillion at current price, equivalent to US\$ 250 – 266 billion, of which about 75-80 per cent is from the domestic capital and around 20 – 25 per cent is from the foreign capital. The ODA and concessional loans from donors in 2011 – 2015 period are expected to reach US\$ 32 – 34 billion in terms of commitment, from US\$ 14 - 16 billion in terms of disbursement (equivalent to 6 percent of the total investment capital of the whole society), of which about 50 percent of disbursement amount comes from the programs and projects under the concluded agreements in 2006-2010 period. Therefore, every year the disbursement of ODA and concessional loans is from US\$ 2.8 to 3.2 billion on average during 2011-2015 period.

The research aims to propose the answer following research question:

What are solutions to improve the effectiveness of ODA resource management in Vietnam in the coming time?

This central research question is supported through the investigation and answers for each research as follows:

- What is the current situation of ODA management in Vietnam?
- How to manage ODA resource for speeding up the Vietnamese economy growth?
- What are the solutions that need to be done to further improve more effective of ODA resource in the future?

#### **1.5 Structure of the research**

There are 5 main chapters in this study. Chapter 1 refers to introduction and significance of the research. It shows introduction about Official Development Assistance (ODA) situation in Vietnam and the main research aims and objectives of research. Moreover, this chapter also presents the

research problem as basis to formulate research questions that will be answered in following chapters. Chapter 2 mentions about the review of literatures of ODA and ODA management evaluation. Chapter 3 refers to research methodology with focus on data source and data collection of ODA. Chapter 4 objectives is to provide the results of the data analysis and key findings relating to current situation of ODA management in Vietnam as well as contribution of ODA to the socio-economic development to period of 2011 – 2015. Chapter 5 includes the research conclusion and recommendation to further improve the ODA management more effectively in Vietnam in the coming time.

## **CHAPTER 2. LITTERATURE REVIEW OF FOREIGN AID MANAGEMENT**

This chapter offers a brief review of the literature relevant to the foreign aid management as well as the impact of aid on economic growth. It will continue with an overview of historical literature of foreign aid management, empirical literature the effectiveness of foreign aid.

### **2.1 Literature Review**

In terms of the history of foreign aid, it should trace back to the 1940s following the destruction caused during the World War II. At that time, Aid was provided through Marshall Plan to help countries including the European recipients reconstructing and recovering after the Second World War. The concept of foreign aid is a voluntary action which is dependent on the recipient country from a donating country, governments, private organizations or individuals. In the less developed countries, foreign aid plays an important role as another means for income at an average of 12.5% of the gross domestic product and a source of external income (Pallage and Robe, 2001). There has been an increase in foreign aid towards developing countries in the past decades. In fact, aid has facilitated some remarkable successes in helping countries reconstruct or develop rapidly. The developing countries have relied on foreign assistance to improve their economic development. However, there exists different views in terms of the effects if foreign aid on the recipient country. While there is opinion that foreign aid is the imposition of the developed countries on the less developed countries as a prerequisite for economic development (Rostow, 1990), there are contrast views thereby foreign aid is considered as a form of modern imperialism and may not lead to the planned economic benefits (Hayter, 1971). According to Tadesse (2011), foreign capital inflows are popular because of their potential to finance investment and the perception of their ability to enhance economic development in the recipient country. Girma et al (2005) opine that the less developed countries lack the sufficient local sources to finance investments and the foreign capital to import technology and goods. The foreign aid can assist to directly fill the savings investment gap and indirectly fill the foreign exchange gap. On the other hand, Andrews (2009) argues that there is evidence to suggest that there has been no significant change to African countries though these countries have been receiving aid for several decades. In a speech in 2012, J.Brian Atwood (2012), Chair of OECD Development Assistance Committee, stated about USD 3.5 trillion was given to poor countries over the last 50 years. Despite of a huge amount of foreign aid towards poor countries, 12.5 percent of the world population is undernourished (FAO, 2012) and 1.2 billion people live in extreme poverty accounting for only 1 percent of total consumption at the global level

(UN, 2013) and 19,000 children under the age of five die each day from diseases that could be treated (UNICEF, 2012).

In the early literature, foreign aid is considered as a driving force for economic growth through physical capital accumulation in recipient countries. One of the popular conceptual frameworks used to justify the relationship between aid and growth is the Harrod – Domar model of economic growth. According to this model, investment is the only factor determining growth and with its assuming that investment is equal to savings, the model explains the reason for the low economic growth of the poor countries comes from saving gap. It will happen if domestic savings are not enough to provide financial assistance to the level of investment required to achieve the planned growth rate. Thereby, foreign aid is expected to be a supplemented resource for filling the saving gap or to play a supportive role in promoting growth. The two-gap model of Chenery and Strout (1966), which is mainly based on the model of Harrod and Domar, has contributed significantly to the literature of the foreign aid by focusing on both saving gap and foreign exchange gap. This model shows that in addition to domestic saving, the foreign exchange and international trade also play important role to the development of the economy. The gap between import demand and revenue from foreign exchange can bring to a decrease of economic growth by limiting import and saving. It would be hard for developing countries to overcome the shortage of foreign exchange by their own financial resources. Therefore, foreign aid is considered as a window for easing this constraint.

These some criticism to the above models that they did not allow the substitution of labor for capital and assumed a stable linear relationship between investment and growth. The other growth models have been developed to address the shortcomings of earlier models and contribute to the literature on the impact of foreign aid on economic growth. Particularly, the Solow-style neo-classical model is considered a replacement to the Harrod-Domar growth model. According to this model, capital and labor can substitute and show a gradual decrease in scale. This model constantly confirms the important role of capital accumulation, which in turn constitutes foreign aid in spurring growth. However, there is no long-term causal relationship between investment and growth in this model, and thus limiting the use of neoclassical models to study the impact of aid for long term path.

The endogenous growth models which replace to neo-classical growth models has become a popular theoretical framework in current empirical surveys on the relationship between aid and growth because it overcomes the shortcomings of the neoclassical growth model and provides more empirical relevance and explanatory power (Sakyi, 2011). Specifically, the assumption of increased return on capital for endogenous growth models suggests that foreign aid can improve long-term growth and thus support economic impact estimates of aid for long term (Kargbo, 2012). Moreover,

the model assumes a nonlinear relationship between investment and growth (as opposed to the neo-classical growth model); and thus there will be a case for measuring the quality of investment and the quality of foreign aid (East, 2003). Based on this model, the contribution of foreign aid to growth can be estimated through factors other than capital accumulation. For example, the endogenous model also emphasizes the important role of human resources in the growth process; and hence this justifies the assessment of foreign aid for human resource development in host countries. Indeed, aid in the form of technical assistance and investment in the education and health care system can promote human capacity building and then productive outcomes (Kargbo, 2012)

## **2.2 Empirical Litterature**

Following the aforementioned growth theories, the debate on whether foreign aid in actuality has been effective in economic growth has intensified over the last few decades. One of the important objectives of foreign aid is to help less developed or developing countries to enhance their economic development and welfare which is more often measured by its impact on economic growth. However, the final conclusion about the positive impact of foreign aid on economic growth remains controversial. On the one hand, studies show that aid has successfully promoted economic growth in recipient countries. On the other hand, some conclude that the impact of aid on growth does not appear to be statistically significant or even negative and significant. Chenery and Strout (1966) reviewed empirical data from less developed countries and found that foreign aid has a significant positive effect on the recipient country economic growth. Later, Clemens and Gani (2003) study found that there was an effect of aid on human development, particularly in health and education, and showed a significant correlation in terms of human development among the lower-middle countries.

A recent development in the literature of aid and growth is an analysis of the long-term effects of aid on growth. In other words, there is an increasing tendency among aid studies to discuss non-growth intermediaries through which foreign assistance can influence the final outcome of the recipient country, including health, education, the environment and climate change, institutional or political. For example, Simone Dietrich and Joseph Wright (2012) conclude that foreign aid for democracy and governance has a continuous positive effect on the consolidation of democracy; or Lynda Pickbourn and Léonce Ndikumana (2013) find that foreign aid seems to be effective in reducing maternal mortality as well as the gender gap in literacy of young people regardless of initial conditions of recipients. Particularly, Channing Arndt et al. (2013) conducted a comprehensive review of the long-term impact of aid in developing countries by analyzing the relationship between foreign aid and a cluster growth source and stated that Aid has contributed to economic growth by stimulating its proximate determinants. In the view of McGillivray (2009),

foreign aid plays an essential role in offsetting the savings gap, the accumulation of human capital and the development of infrastructure in the host countries.

By contrast, Rajan and Subramanian (2008) conclude that aid has had no systematic effect on growth and assert that this conclusion holds across methodologies, time periods and forms of aid. According to Rajan and Subramanian, foreign aid can lessen the recipient country's competitiveness. Other researchers (Leff, 1996; Griffin, 1970; Djankov et al., 2008) found negative impact of foreign aid on economic growth of developing countries. The main argument is that foreign aid in its negative impact offsets the advantages of transferring resources and that it undermines or weakens governance by increasing the return to corruption or increase in lending for the developing countries. The paper of Steven Radelet (2004) find no clear influence of long term impact of aid on growth and a negative relationship between humanitarian relief and growth, as the latter category of aid is often triggered by adverse growth shocks.

In addition, the empirical literature shows the concern about the conditional relationship between aid and growth, in which in some cases aid can work but depend on the characteristics of receiving countries; such as political environment, economic vulnerability, or geographic features, etc. In the early 2000s, Craig Burnside and David Dollar (2000) drew attention with the idea of experimenting aid –growth in the presence of policy. According to Burnside and Dollar, aid has a positive impact on the growth of developing countries which has a good fiscal, monetary and trade policies, but for the countries with poor policies, aid has limited impact on it.

Building upon this work, Addition et al. (2005) argue that one can be sure that aid will reduce poverty through growth as if aid is used to invest in the livelihoods of the poor. Although some papers agree with Burnside and Dollar's assertion that foreign aid only works in good policy environment, there exist criticism on the methodological approach and challenge to the results. Particularly, Henrik Hansen and Finn Tarp (2000) find that the relationship between aid and growth is important and positive despite circumstance of policy. Furthermore, Easterly et al. (2004), using updated sample data, argues that the role of policy in determining aid effectiveness foreigners disappear. Chauvet, L. and P. Guillaumont (2004) reviewed the relationship between foreign aid and growth and made assumptions that aid effectiveness depend on policy, economic structure vulnerable and political instability. Carl-Johan Dalgaard et al. (2004) shows that the foreign aid seems to be affected by the geographic location of the country.

In addition, a large part of the literature on aid effectiveness is transnational research, sometimes criticized because it does not regularly provide information for national views. It can be argued that the impact of aid on growth at the same level everywhere since the initial condition varies widely and / or the aid profile may be very different on aids over time (Tarp, 2009). Meanwhile, the

transnational approach cannot capture the fact that countries are not homogeneous; and therefore it does not necessarily guarantee the applicability of transnational research results in a particular country (Kargbo, 2012). Hence, the need for national case studies, in which the circumstances and outcomes of a particular country, will be scrutinized.

So far, the analytical methodologies have been gradually altered and developed in order to address limitations of the previous methodologies and more accurately collect the complexity of foreign aid. The first progress is to apply the two-stage (2SLS) Square Model and the General Momentum Model (GMM), which can solve the internal problem of foreign aid and other related variables such as governance, investment and policy.

Then, the availability of panel data techniques could explain the nation's unique features that were unnoticed and exploited variants in the country and over time (Matthijs Lof et al. ., 2013). Recently, new approaches based on vector autoregressive models (VARs) have been formed that reflect the new trend of foreign aid research - the long-term effectiveness of aid for a set of economic variables. The last significant macroeconomic factor leading to economic growth - includes the co-integrated VAR model (Juselius et al., 2014) and panel VAR model (Matthijs Lof et al., 2013).

In summary, the debate on the relationship of aid and growth has not yet concluded and seems to continue. Nevertheless, the diverse literature of aid and the development of analytical methodology has contributed to create a concrete background for further analysis of country case study.

# CHAPTER 3. THEORETICAL FRAMEWORK OF ODA AND ODA MANAGEMENT EVALUATION

## 3.1 ODA - Definition and Key features

### 3.1.1 Definition of ODA

**Official Development Assistance (ODA)**, in full definition of the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD), is “*Flows of official financing administered with the promotion of the economic development and welfare of developing countries as the main objective, and which are concessional in character with a grant element of at least 25 percent (using a fixed 10 percent rate of discount). By convention, ODA flows comprise contributions of donor government agencies, at all levels, to developing countries (“bilateral ODA”) and to multilateral institutions. ODA receipts comprise disbursements by bilateral donors and multilateral institutions.*”<sup>1</sup>

This term has been used at the first time in 1969 by DAC and later on widely used as an indicator of international aid flow. According to the definition, ODA contains a mix of different financing, including assistance in the form of grant aids and concessional loans, given by “official” agencies of Governments and international organization to less developed countries and developing countries in order to promote economic development and welfare of these countries. Simply stated, it is official financing or other forms of assistance that is provided by governments to developing countries for the purpose of promoting and implement development.

In Vietnam, the regulation on management and use of ODA issued with Decree 17/2001/ND-CP dated 04/05/2001 by the Government and Decree 131/2006/ ND-CP dated 9/11/2006 specified: “*The official development assistance (hereinafter referred to as ODA) of this regulation shall be understood as co-operation and development between the State or Government of the Socialist Republic of Vietnam with Donors who are: (i) a foreign government, (ii) intergovernmental or transnational organizations, (iii) and bilateral donors*”<sup>2</sup>.

ODA is inspired from the success story of Marshall Plan. The financial assistance of the United States of America given to recover the economy of the Western European countries from the damages of the World War II is recognized as the origin of ODA in the world. Since then, ODA has developed and become one of key channels to provide assistance for the development of the less

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<sup>1</sup> OECD Glossary of Statistical Terms [OECD Glossary of statistical terms, Official Development Assistance \(ODA\)](#)

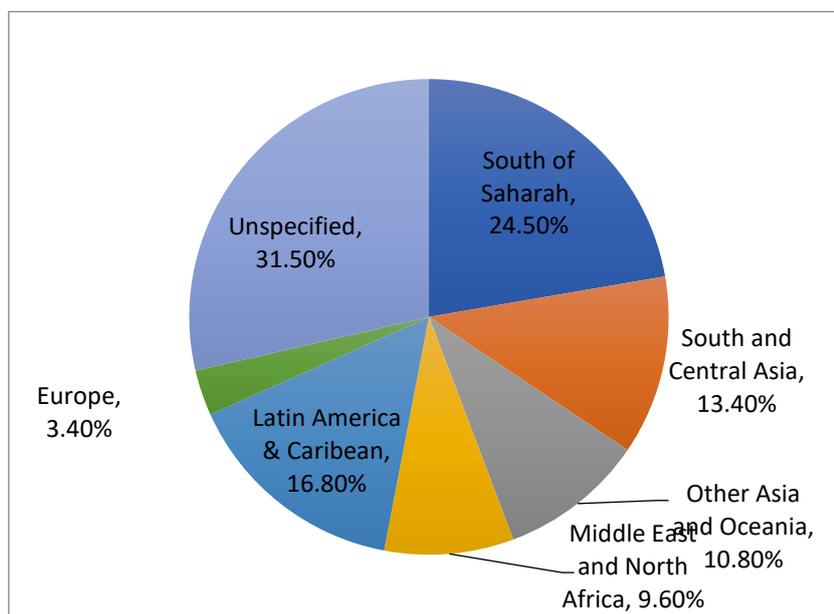
<sup>2</sup> The Government of Vietnam (2006), Decree 131/2006/ ND-CP dated 9/11/2006 issuing regulations on management and usage of ODA resources.

developed and developing countries.

The Organization for Economic Cooperation and Development (OECD) was established in 1961, located in Paris, France with 35 members. The OECD's mission is to promote policies that will improve the economic and social well-being of people around the world. Core members of OECD are developed countries such as United of Kingdom, USA, French, Germany, Japan, etc. A number of OECD member take a large share in providing ODA in the world. Therefore, OECD is not an organization providing assistance but plays an essential role in coordinating and monitoring the implementation of policies concerning development assistance.

The Development Assistance Committee (DAC), which was created under the OECD in late 1961, is a unique international forum of many of the largest funders of aid. On the other hand, DAC is an agency to assist OECD in providing guidance on development assistance. It is described clearly in DAC's mandate, which include *“monitor, assess, report, and promote the provision of resources that support sustainable development by collecting and analyzing data and information on ODA and other official and private flows; and provide analysis, guidance and good practice to assist its Members and the expanded donor community to enhance the quality and effectiveness of development assistance, particularly regarding pro-poor economic growth and poverty reduction”*.<sup>3</sup>

**Figure 1. Gross bilateral ODA by region (2014 - 2015)**



Source: OECD - DAC

The number of countries providing development assistance has been increased in the recent years. Particularly, some changed their roles as receiving countries to the donors. For examples, Japan

<sup>3</sup>The Development Assistance Committee's Mandate, <http://www.oecd.org/dac/thedevelopmentassistancecommitteesmandate.htm>

escaped from the receipt to become one of biggest donors in the world. Some countries has been graduated from ODA and started to provide assistance to other countries such as case of China, who received a large amount of US\$ 39 billion from the World Bank in the period from 1980 to 2005 but now has started providing assistance to other countries, especially for African region.

Also, ODA has steadily risen in response to the increasing needs of the less developed countries in the last decades. According to official data collected by DAC, ODA has increased from US\$ 86 billion in the 90s and reached a peak of US\$ 137.2 billion in 2014. Development Aid totaled US\$ 131.6 billion in 2015. The distribution of ODA focused on the less developed regions, including Africa, South and Central Asia, Latin America and Caribbean. As recorded by the OECD, in 2013, ODA allocated to South of Sahara, South and Central Asia and Other Asia and Oceania accounted for 25.8%, 16.1% and 11.5% in respectively of the total ODA in the world. In the coming years, ODA will keep trends to be allocated to the African region in order to support these countries to achieve Millennium Development Goals (MDGs), contributing to hunger eradication and poverty reduction.

### **3.1.2 Key features of ODA**

The nature of ODA is official international transactions requiring agreement between receipts and providers, with a clear objective to promote socio - economic development of poor countries. Therefore, ODA includes the main following characteristics:

#### ***3.1.2.1 Concessional in character***

The significant distinguish between ODA and a commercial loan is “concessional” in character. On the other hand, ODA compose itself grant elements. From the earliest discussions of the concept of ODA, DAC’s members agreed that ODA should represent an effort in favor of developing countries by the official sector, which resulted in a required grant element of at least 25% was then specified in the definition of ODA by DAC. The grant elements are identified by time schedule of pay pack period and grace period, as well as interest rate in comparison with commercial credits. The interest rate of an ODA loan must be below market interest rate. The World Bank reaffirmed this typical character of ODA in its report on policy research published in June 1999 as follow: “*ODA is a part of official development finance, which has the grant factor plus the concessional loan and shall account for at least 25% of total fund, it is called ODA*”. The table below shows concessional conditions for ODA loans by some major donors:

**Table 1. Conditions for ODA Loans by some major donors**

No	Donors	Interest rate (%)	Payback period (year)	Grace period (Year)	Service fees (%)
1	<b>Germany</b>				
	- <i>Concessional loans</i>	0.75	40	10	
	- <i>Development loans</i>	2.5-3	12-15	3	
2	<b>Norway</b>	0	10	Construction duration	
3	<b>Spain</b>	1	15	5	
4	<b>Switzerland</b>		10	Commercial loans (50% of total contract value)	
5	<b>Japan</b>				
	- <i>Ordinary loans</i>	1.2	30	10	
	- <i>Concessional loans</i>	0.55	40	10	
	- <i>STEP</i>	0.2	40	10	
	- <i>Environment</i>	0.25	40		
	- <i>STEP Environment</i>	0.1	40	10	
6	<b>ADB:</b>				
	- <i>ADF (Concessional)</i>	0	32	8	1%
	- <i>OCR (Ordinary)</i>	0.4 (LIBOR+ interest margin)	15-25	3-5 (Corresponding to payback period)	0.5% (inputs fees) and 0.75% (commitment fees)
7	<b>WB:</b>				
	- <i>IDA (Concessional)</i>	0	40	10	0.75%

No	Donors	Interest rate (%)	Payback period (year)	Grace period (Year)	Service fees (%)
	-IBRD (Concessional)	(LIBOR+ 0.2)	30	5	0.25 (one time arrangement fees)

Source: MPI - Vietnam

Besides, the concessional character of ODA refers to the term of “promotion of development” in its definition, by which, ODA is provided for less developed and developing countries only. Criteria for identifying ODA receipts normally are based on the consideration of the 02 following elements. Firstly, the average of GDP per capita must be at low level. The lower average of GDP per capita is, the more concessional conditions would be given (higher ratio of grant, lower interest rate with long period of pay pack and grace time). Secondly, objectives of ODA utilization proposed by receiving countries must be in line with priorities and policy of providing countries.

### 3.1.2.2 *Conditional tied*

ODA loans may be given with or without conditions (untied, tied and partial tied loans) of location, financial mechanism. For instant, ODA of Japan (including both grants and loans) is required to use Japanese Yen currency for transaction. Besides, tied conditions are very different, depending on policies and strategy of each donor. It is considered as “concessional” characteristic of ODA to donor countries. In addition to primary objective that is to promote sustainable growth and poverty reduction in developing countries, the second objective of the development assistance is aims to bring political and economic benefits to donor countries. Particularly, some donor countries provide ODA with requirements that receipts must use a part of assistance to procure services or good of donor countries with aims to promote its export. For example, Belgium, Germany and Denmark request that 50% of each ODA provided shall be used to procure goods and services from these countries while rate requested by Switzerland and Netherland is only at 1.7% and 2.2% in respectively. Moreover, some donor countries considered ODA as a tool to enhance its political position and expand their influences in receiving countries or regions.

### 3.1.2.3 *Risk of debt burden*

ODA consists of potential risks of debt burden to be put on the receiving countries. In the positive side, if ODA is used effectively and efficiently, it will provide great support for the development of receiving countries. In contrast, if ODA is not planned and used in an effective manner, it will cause big problems once the loans are due to repayment time. Due to the “concessional” in character of these loans, it creates a trap of temporary growth for receiving countries. On the other side, ODA has no capacity to invest directly in production, especially for export. However, export is main

revenue of foreign currencies and debt payment mostly based on the revenue. Therefore, it is required to have a strategic plan for ODA utilization in order to ensure its effectiveness in coordination with other resources.

### **3.1.3 Classification of ODA**

ODA is broadly divided into various categories on the basis of different criteria. Below are some main types of ODA.

#### ***3.1.3.1 By form of provision of assistance, ODA include the following categories***

*ODA Grant Aid:* is the form of provision of ODA does not require refunding to the donor.

*ODA Loan:* is the form of provision of ODA that requires refunding to the donor under concessional conditions on interest rate, grace period and debt-payment period with grant element of at least 35% of the value of the tied loans and 25% of the value of untied loans.

*Concessional Loan:* is the form of provision of loan with more favorable conditions than commercial loans, but the grant element does not satisfy the criteria for ODA loan.

#### ***3.1.3.2 By purpose of utilization, ODA includes***

*Constructional Assistance:* are financing provided to invest in constructing socio-economic and environmental infrastructure. These resources are usually provided in the form of ODA loans or concessional loans.

*Technical Assistance:* are financing offered specially for knowledge and technology transfer, capacity building, fundamental research or pre-feasibility studies, development of institution, etc. Technical Assistance is provided in the form of Grand Aids.

#### ***3.1.3.3 By condition tied, ODA include***

*Untied ODA and concessional loan* is a fund of ODA and concessional loans without conditions on providing and procurement of goods and services offered by donor countries or specified country group as in regulations of donor(s).

*Tied ODA or concessional loan* is a fund of ODA and concessional loans with conditions on providing and procurement of goods and services offered by donor countries or specified country group as in regulations of donor(s). These conditions may include: i) Requirement of supplier: procurement of goods, equipment or services to be limited with companies that are owned or under control by donor (for bilateral aids) or by country members of donor (for multilateral aids); ii) Specific requirements of using purpose, thereby, assistance provided only for sectors or projects identified by donor.

#### ***3.1.3.4 By donor, ODA include:***

*Bilateral ODA:* refer to official assistance of Government provided directly to other Government. They also include transactions between national or international non-governmental organizations

active in development and other internal development related transactions. As reported by DAC, more than two thirds of total ODA from DAC member countries is provided in the form of bilateral assistance, mostly as grants<sup>4</sup>.

*Multilateral ODA*: are official assistance provided by a number of Government through an international organization such as the World Bank, International Monetary Fund, Asia Development Bank, etc.

**3.1.3.5 By modalities of delivery, ODA and concessional loans include**: Program Assistance; Project Assistance: is modality of ODA provision to implement specific projects. It could be in the form of grant aid, ODA loans or concessional loans; technical assistance; Budget support and Non-project assistance.

**Table 2. Classification of ODA**

<b>Classified by</b>	<b>Types of ODA</b>			
Donor	<i>Bilateral ODA</i>	<i>Multilateral ODA</i>		
Recipient	<i>Ordinary ODA</i>	<i>Special ODA</i>		
Form of provision of assistance	<i>Grant Aid</i>	<i>Loan</i>	<i>Concessional Loan</i>	
Purpose of Utilization	<i>Constructional Assistance</i>	<i>Technical Assistance</i>	<i>Humanitarian Aid</i>	
Condition Tied	<i>Untied and Concessional Loan</i>	<i>Tied or concessional loan</i>		
Modalities	<i>Program Assistance</i>	<i>Project Assistance</i>	<i>Budget Support</i>	<i>Non-project Assistance</i>

*Source: The Author*

### **3.1.4 Factors of ODA**

#### **3.1.4.1 Objective factors**

*The national economic and political situation in the donor country*: factors such as economic growth, national gross income, inflation, unemployment or political changes shall affect the development assistance activities for other countries. For example, for countries providing ODA, due to the crisis, increase of unemployment rate or change in institutions etc., their annual ODA commitment of this country can be decreasing. In addition, there may be a change in the political

<sup>4</sup> OECD. 2009. Managing Aid – Practices of DAC member countries.

institution in the donor country, which may lead to the change in regulations and procedures of disbursement and this will also affect the effective implementation of the projects in aid recipient countries.

*Policies and regulations of donors:* In general, every donor has their own policies and procedures requiring countries receiving aids to comply with their policies and regulations in the implementation of programs and projects funded by their ODA. These procedures differ in some fundamental areas such as establishment of pre-feasibility reports, and feasibility study reports, procedures of bidding and disbursement, norms, procedures of capital withdrawal or mode of periodic reports, etc. Thus, understanding and complying with the provisions and guidelines of each donor is extremely necessary for the recipient countries.

*Competitive environment:* Currently, the total amount of ODA in the world is on the decline trend while demand for ODA of developing countries is continuously increasing, especially after the economic crisis and the regional armed conflicts. Now, there is the appearance of fierce competition among developing countries to take advantage of ODA. Therefore, to attract ODA in the coming time, it is required that recipient countries constantly improve the level of experience and capacity in the management, coordination and implementation of programs and projects funded by this type of capital source.

#### **3.1.4.2 Subjective factors**

*The situation of economy, and politics in recipient countries:* Normally, donors often fund for countries having good political relation and using ODA effectively. Therefore, economic and political factors of recipient countries will have a great influence on the attraction and use of ODA. In this environment, factors such as economic growth, national gross income, inflation, economic management mechanism, political stability, social security policies, etc. will impact directly in the attraction and use of ODA.

*Establishment of projects:* The original establishment of projects plays a very important role. The programs/projects established shall be within the overall framework, and objectives of the Government, deriving from the actual needs of socio-economic issues. The established project shall keep abreast with the actual situation and thus, it will be an important factor leading to the success of the later implementation.

*Processes and procedures of the recipient country:* This is the most important factor directly impacting on the efficient use of ODA. In countries having clear and favorable processes and procedures for the implementation of ODA programs and projects, such programs and projects will be implemented smoothly, progressively, promoting effectively which will increase their ability to further attract such funds.

*Financial capacity of the ODA recipient country:* For ODA programs and projects, in order to receive ODA, the recipient country shall have at least 10% of capital as guaranteed to be the counterpart fund. In addition, there is a need of a large amount of investment capital allocated from the budget for the preparation of programs and projects. Besides, when signing the loan agreement with donors, recipient countries shall also consider the repayment capacity in the future. In the future (in 25-30 years), these countries shall pay their due debts, including loan interests.

*Capacity and ethics of the staff in management and use of ODA:* Capacity and ethics of the staff implementing programs and projects is also a significant factor to influence the effective use of ODA. The staff must have the capacity to negotiate and conclude the projects, and implement the capital management, with deep expertise in law, economics, engineering, foreign languages, ethics, and accountability, etc. In fact, the implementation of projects shall comply with both regulations and laws of the recipient country and adhere to the regulations and guidelines of donors.

*The cooperation of the national relevant agencies to use ODA:* With the participation of broad sectors and levels and the close direction in all phases of the projects will help the projects operate on tracks, achieving the schedule and will keep the sustainability when finishing. It can be seen very clearly in Vietnam, with the vertical management mechanism and the compliance with the administrative orders given from the higher levels, only when all levels and departments truly involve in the project implementation, can the projects be implemented progressively, and effectively.

*The monitoring, inspection and supervision of the project implementation:* This work plays a very important role in determining the success of the project. This work helps to see shortcomings and difficulties to be addressed so that there will be timely adjustments, serving decision-making process of all management levels, ensuring the programs/projects to be done properly according to criteria, schedule, ensuring the quality and complying with framework of identified resources. In addition, it also helps the management level on lessons learned in order to apply to the next implementation phase and apply to other programs and projects.

## **3.2 ODA Evaluation**

### **3.2.1 Definition of ODA Evaluation**

Definitions of evaluation are various, of which OECD-DAC defines evaluation as “*the systematic and objective assessment of an on-going or completed project, program or policy, its design, implementation and results. The aim is to determine the relevance and fulfillment of objectives, development efficiency, effectiveness, impact and sustainability. An evaluation should provide information that is credible and useful, enabling the incorporation of lessons learned into the*

*decision-making process of both recipients and donors*<sup>5</sup>. In this term, evaluation is a process that comprehensively assesses or determines the worth of an activity, policy or program in detail. As such, the term of “ODA evaluation” can be understood as a comprehensive and detailed assessment on aid financed activities or ODA management.

### **3.2.2 Why needs ODA evaluation?**

ODA evaluation plays an essential role in the efforts to enhance the quality of development cooperation. It is useful not only for aid agencies for evaluating aid financed activities but also for receipt countries in making their own evaluation of aid financed activities, understanding of the implementation status of development aids and its impacts. Originally, ODA aims to help less developed countries to help themselves through increasing economic, financial and technical assistance. And the donors have made efforts to ensure that their aid given to the less development countries is relevant and coherent with the specific issues and opportunities of the countries. Thus, ODA evaluation is conducted to ensure the government’s effective and efficient ODA implementation as well as to provide information of ODA to people who fund these activities. The main purpose of the ODA evaluation is to improve ODA management through feedback of lessons learned; and to provide a basis for accountability, including the provision of information to the public.

Since the 1970s, the awareness of the importance of ODA evaluation was raised at OECD-DAC and led to a range of international discussion on evaluation. At this point, many donors carried out evaluation of ODA funded activities by individually. Then, the evaluation of aid activities has been paid attention by aid agencies as a mean to measure the effectiveness and efficiency of ODA as well as to fulfill accountability to the people. The vision of official assistance has changed, moving focus on how much development aid to be needed to the question on what the aid designed to achieve and how to replicate success and avoid failure in future.

In 1981, the DAC Network on Development Evaluation was established under the OECD-DAC. It holds regular meetings twice every year with aims to facilitate the evaluation efforts and to enhance development aid effectiveness through exchanging experiences and information among member countries. Nowadays, there are about 45 donor countries and agencies joined the Network.

In addition, most of big donors have established their own group of experts on aid evaluation. For examples, the Independent Commission for Aid Impact is the independent body responsible for scrutiny of UK aid and focuses on maximizing the impact of the UK aid budget for intended beneficiaries and getting the best value for money for the UK taxpayer; the German Institute for

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<sup>5</sup> OECD – DAC: [Glossary of Key Terms in Evaluation and Results Based Management](#)

Development Evaluation is mandated to evaluate the performance of German development cooperation interventions or the Expert Group for Aid Studies collaborates with researchers and other experts to improve Swedish aid in the long term. The Ministry of Foreign Affairs of Japan develops ODA evaluation guidelines to assess the effectiveness and efficiency of their aid activities given to developing countries.

Besides, a number of workshops and reports on ODA evaluations have been conducted since 1980s with aims to review experience and share lessons about the strengths and weaknesses of different approaches to aid evaluation. Moreover, the development aid activities have trends to change from the level of individual projects to programs since 1990s. The donors began to use Country Programme Evaluation (CPEs) to complement project evaluation from 1980s and the workshop on this topic was organized regularly to review and share experience of different approaches to Country Program Evaluation. Or in 2003, the Chair of OEDC/DAC challenged OECD/DAC Development Evaluation Network members to adopt a more comprehensive approach to evaluation and to look at the totality of ODA and what success donors are having in supporting countries efforts in reducing poverty. Then, a meeting of bilateral and multilateral donors was organized in November 2005 to review the political and technical feasibility of donors and country partners evaluating of the total impact of ODA. The objectives of the workshop were to address the questions on ODA evaluation, i.e. how could an evaluation of total ODA be useful to key stakeholders; can total ODA be evaluated in a sufficiently rigorous and reliable way; how can principles of partnership and ownership be best satisfied in an evaluation of total ODA. Through these workshop and forums, the lessons learned and experiences on ODA evaluation have been shared and assessed to find a new approach for better ODA management.

### **3.2.3 Principles and criteria of ODA evaluation**

Given both donor and receipt countries has been interested in the question of the results of aid activities and wonder how to measure it, DAC developed a set of principles on the most requirements of the evaluation process in 1988. The principles focus on evaluation of both on-going and completed activities and become main guidance on the role of aid evaluation in the ODA management process. According to that, the evaluation process should be impartial and independent in its function from the process concerned with the policy making, delivery and the management of development assistance; as open as possible with the results made widely available; and it should be useful in the sense that the findings of the evaluations must be used as feedback to both policy makers and operational staff so as to have an impact on decision – making. Recently, DAC issued the Quality Standards for Development Evaluation in 2010. The Standards provide a guide to good practice in development evaluation with aim to improve the quality of evaluation processes and

products as well as to facilitate collaboration. It outlines the key quality dimensions for each phase of a typical evaluation process: defining purpose, planning, designing, implementing, reporting and learning from and using evaluation results.

In addition to the general principles, DAC also developed a set of criteria for ODA evaluation. This was first laid out in the “DAC Principles for Evaluation of Development Assistance” and later defined in the Glossary of Key Terms in Evaluation and Results Based Management. The key criteria to evaluate the results of ODA management include relevance, effectiveness, efficiency, impact and sustainability.

Firstly, the relevance means the extent to which the aid activity is suited to the priorities and policies of the target group, recipient and donor. It aims to ensure that the ODA will be managed and used in accordance with the need of receipt countries and the expectation of the donor countries. Therefore, in evaluating the relevance of a project/program, it is required to consider the validity of the objectives of the program/project, to assess if the outputs are consistent with the overall goal as well as the intended impacts and effects of the projects/programs.

The second criterion is the effectiveness. It is a measure of the extent to which an aid activity attains its objectives. In order to evaluate the effectiveness of a project or program, it is required to review the attainment of its objectives as well as the factors that affect to the achievement or non-achievement of the objectives. The Paris Declaration on Aid Effectiveness (2005) identifies five principles for increasing aid effectiveness, including ownership, alignment, harmonization, accountability and managing for results. So, in evaluating the effectiveness of a program or a project, it would be useful to consider the alignment of the assistance with the development strategies of the receipt countries; to assess the harmonization of the procedures and policies of the donors and the receipts; to review the transparency of the aid flows and development outcomes for fulfilling mutual accountability as well as the development results; to consider how the receipt countries exercise leadership in implementing development strategies.

The third one is the efficiency, which measures the outputs -- qualitative and quantitative -- in relation to the inputs. In order to evaluate the efficiency of a project or program, it is normally use the cost and benefit analysis to determine whether the aid uses the least costly resources possible in order to achieve the desired results. It is generally required to conduct a comparison between alternative approaches for achieving the same outputs, so as to evaluate if the most efficient process has been adopted. When evaluating the efficiency of a program or a project, it is useful to consider the cost efficient of the activities, the progress to achieve project objectives and the approach of the implementation in the comparison with the alternative ones.

The impact of the project or program is the first criterion in evaluating ODA management. It refers to the positive and negative changes produced by a development intervention, directly or indirectly, intended or unintended. Or it involves main impacts and effects resulting from the activity on the local social, economic, environmental and other development indicators. And in order to have a comprehensive evaluation, both intended and unintended results including the positive and negative impact of external factors must be considered. Thus, while evaluating the impact of a program or a project, it is required to review the results of the project/program, what the aid activities make real difference to the beneficiaries and the number of affected people in the project/program area. Based on that, the evaluation can compare between the positive and negative changes to see if the project/program bring real benefit to people or not.

Last but not least, the sustainability is one of the criterion for evaluating ODA management and implementation. It will measure the benefits of aid activities for long term. As resulted, when evaluating the sustainability of a program or a project, it needs to consider the continuous of the benefits of the project/program after the funding has been withdrawn and the factors that will cause influence on the achievement of sustainability of the project/program in all aspect, such as environmental and financial sustainability.

### **3.2.4 Experience of ODA management in some countries**

ODA has played an important role in socio - economic development, especially for the less developed and developing country. However, the benefits are different form various countries and it depend much on how the country manage and use the ODA given by donors. During the last fifty years, there appears a number of good practices of ODA management but also still have failure examples across the world. The paragraph below will review some experiences on ODA management of several countries in the world.

For the success cases, China, South Korea and Malaysia are the good examples of ODA management. These countries received a large amount of ODA for many years and now they started to turn out their role from the receiver to the donor, providing assistance to other countries.

#### ***3.2.4.1 Experience of China***

Before the 1980s, the Chinese Government had pursued its policy of foreign orientation aiming at taking the maximum use of external resources to reconstruct and develop the country. This orientation perspective has created the favorable conditions for attracting foreign funding resources to China, including ODA. In order to use the mobilized financial resources, the Government allowed the majority of programs and projects to quickly use ODA while did not pay attention to its effectiveness, in which, it became: "regardless of quality and efficiency, focus on the quantity". As a result, the national debt burden increased, leading the national economy to a difficult period.

To overcome this shortcoming, during almost the past three decades, China has pursued a strategy of economic reform and modernization, to gradually transform its centrally planned economy to an open and market - oriented one. Thus, there have been significant improvements in development of human resources, poverty alleviation and science and technology. The high rate of savings, which is about 40% of GDP, is the basic investment resources for promoting economic growth. The total ODA that is mobilized from bilateral and multilateral channels is about US\$ 5-6 billion per year. The results come from the following experiences in ODA management: (i) well preparation for project implementation, by which the preparation of feasibility study reports in advance facilitate right from the stage of project preparation. The process of selection and approval of projects registering to use ODA fund is carried out in a unified and efficient order from the stage of project identification (pre-feasibility studies, proposals, selection of project), project preparation (feasibility studies, technical design, environmental impact assessment), evaluation of the project (objectives, technical technology, market analysis, socio-economic efficiency, environment, counterpart funds, repayment capacity, etc.); (ii) The major contents of the project documents submitted for approval, including the basic situation of each project, the reason of selection, scale of investment, investors, capital conditions (donors, structure, loan term, interest rates, etc.), procurement procedures, economic and financial analysis, responsibility of repayment, funds and repayment plan, report and evaluation of binding conditions; (iii) Issuing the detailed guidance system on the activity at each stage of the project cycle, coming to the final approval process with the authority delegated to the local authorities and ministries. A consulting unit on behalf of the Government shall review the final feasibility studies comprehensively after appraisal, the People's Bank of China (PBC) or the Ministry of Finance (MOF) can seek the Donors for the selected projects; (iv) The negotiation with donors can only take place when the feasibility study of the selected project has been approved and the loan will be accepted after the technical design is completed. Thus, the disbursement process is carried out rapidly; (v) Being responsible for providing sufficient financial resources right from the beginning stage to implement programs, projects. The counterpart fund is mobilized from local sources including self-funding of the authorized agency, credits from specialized commercial/business banks and issuing bonds of "State development projects". The allocation of funds, in the manner in which the counterpart fund accounts for a high proportion, has increased the awareness of the role of project ownership and reduced the influence of external agencies, donors and funding organizations; (v) Specializing in bidding and construction supervision. The bidding process is undertaken by agencies that are on behalf of the managing agencies. These are agencies having experience in international bidding under the guidance of donors; (vii) Establishing a construction investment appraisal agency in order to issue licensing in the project construction and

implementation. That is the professional agency performing its functions of monitoring on the contract basis in compliance with the economic and technical instructions and regulations of the country. These fields mainly require the close and continuous monitoring process, including: the compliance with the project progress, staffing arrangement of the competent agencies, to supervise whether the construction quality meets the design requirement or not, whether the performance of foreign consultants, the procurement procedures, services meet the procedures and regulations of funding organizations, whether the disbursement, withdrawal of capital meet the program contents, whether the civil works can meet the standards, conditions stated in the contract or not, the situation of preparation of operation and maintenance of project after completion; (viii) Focusing on the project post-evaluation and implementing the reporting and auditing regime of programs/projects well after the project ends. The State Audit agency shall be responsible for auditing the projects under the audit regulations of the Government. The audit work is performed in three phases of the project: before commencement, during the project implementation and after completion of the project, China found that because most of the investment source for the project was mobilized from domestic savings, so the effectiveness and efficiency of the investment have enormous impact on the development of the economy. Therefore, China pays special attention to the project post evaluation and enhancement of the role of this process in the decision-making and project management; (ix) The use of ODA resources at the local is done according to a strict procedure: On the basis of the Government's announcement of ODA specific conditions to each donor, based on the strategy, development plans and policies to prioritize the use of funds, the investors will draw up a program, project document and submit to the local Reform and Development Commission to select and put on the priority list of ODA mobilization at the locals. The local will prepare the list of programs/projects and submit to the National Reform and Development Commission for consideration and submission for approval by the State Council; (x) financial mechanisms and repayment liability of ODA loans are also clearly defined. Currently, China has classified into 3 types of ODA projects to clearly define the repayment responsibility, in particular: project of state loan-repayment (implemented according to the central government decision); project of local authority loan-repayment (according to the Central Government decision) and project of loan-repayment made by the economic sectors themselves. The government will not involve and shall not be responsible for repayment. In addition, the Government conducts policies to apply the entire tax exemptions relating to ODA projects, including on-lending projects.

#### **3.2.4.2 Malaysia**

Malaysia is a country with an emerging economy, relatively high qualification and per capita income. For the past 15 years, this country has almost exclusively received ODA in the form of

technical assistance from organizations under the UN system and bilateral donors. The concessional loans mainly focus on big financial institutions such as World Bank, ADB, and JICA (particularly for the WB, the concessional loans have only been continuous to overcome the consequences of the finance and currency crisis in 1997), with limited loan size to maintain their reasonable foreign debt. Foreign debt of Malaysia is always at safe limit. Some successful experiences of Malaysia in the effective management of ODA funds can be summarized as follows: (i) Selecting projects carefully using ODA loans, ensuring to be consistent with the overall development strategy of the economy, only receiving large-scale projects; (ii) In organizing to implement projects, Malaysia take the most advantage of support from donors from the first stage of the project to the project post-supervision stage and involve in close coordination with donors in these activities. Therefore, after completing the feasibility study report, the Government approves the project immediately and thereby, shortening procedures. Simultaneously, it is the right time to apply timely project post-assessment results after the project of sponsors to improve the design quality of new projects. (iii) There is a clear definition of functions and tasks of ODA management agencies. There is a close coordination between agencies with the common perception of creating the maximum favorable conditions for PMUs, how to keep the progress of ODA project implementation, applying the quick submission and approval procedures in order to reduce commitment fees. Any components of the project that are considered to be difficult or ineffective to implement, the Government will initiatively propose to the Donor to cancel those components; (iv) Malaysia does not face many difficulties due to differences in national and procedures and donors' procedures because each project shall be applied each donor's procedures and guidelines. Besides, the payment system is conducted online, so procedures are done more quickly and more harmoniously to better serve the monitoring and supervision process of relevant authorities and donors; (v) The Government ensures to provide sufficient counterpart funds for the project to ensure the progress and effective implementation; (vi) Developing and implementing well the systems of monitoring and post-evaluating the projects in order to detect the problems that arise in the use of capital, provide timely information for consolidation agencies of the Government and the donors.

#### **3.2.4.3 Korea**

Korea is considered as a successful development model. From being a country receiving aid in the years after the 2nd World War, at present, South Korea has become a developed country with spectacular strides. The rapid industrialization has contributed significantly to the economic growth. As a member of the Organization for Economic Co-operation and Development (OECD), Korea has become a country providing ODA for developing countries.

By which way can Korea make far strides in economic development and have experiences to overcome the difficult phases? - Nothing special except for diligence, hard work and the great contribution of the Korean people. At the most difficult time (economic-financial crisis stage), the power of Korean people has created the success, they have contributed personal assets and, together with the government shouldered the difficulties with the highest determination and will, desiring to bring their country out of poverty. In addition, education and strengthening of exchanges are also effective solutions. Korea has tried to send experts to study in developed countries in order to study the plan and proceed to reduce its reliance on foreign capitals. That's the precious human resource, which has helped the country to develop gradually.

From 1945 to the early 1990s, Korea received more different official development assistance (ODA) from the international community. This support was a valuable resource in terms of the phenomenon of Korean economic development. Korea defined clearly the specific priority areas and strategy, global environmental issues, such as climate change and deforestation, which had emerged as new challenges for worldwide citizens. Facing with these challenges, President Lee Myung-bak announced in 2008 "*Campaign of less carbon, more green growth*" as a new vision in the development of the Korean. Korea aims to become a low carbon society through green growth by applying the green technology and green industries, which raise the eco-efficiency, while minimizing adverse impacts on the environment. Korea will contribute their best to the global effort in fighting against the climate change. Korea has used ODA very efficiently.

Now, ranked in the 13th-largest economy in the world, Korea commits to become a donor country in the field of international development. In particular, Korea is striving to achieve the Millennium Development Goals set by the United Nations, and to achieve this; South Korea plans to expand ODA gradually. In 2008, Korea provided a total of USD 797 million of ODA (preliminary estimated). Currently, South Korea has been planning to expand this financing up to 0.15% of the Gross National Income in 2012 and 0.25% in 2015. Moreover, Korea is gearing up to join the Development Assistance Committee (DAC) under the Organization for Economic Co-operation and Development (OECD) in 2010. Korea's ODA fund assistance system includes both bilateral and multilateral assistance. Bilateral assistance is divided into grants and concessional loans. Funding, including scholarships and technical cooperation programs, is conducted by the Korea International Cooperation Agency (KOICA) in compliance with the policy guidelines issued by the Ministry of Foreign Affairs and Trade. While KOICA exclusively implemented aid programs, a number of technical cooperation programs are performed by organizations and other government agencies. The *Economic Development Co-operation Fund (EDCF)* manages concessional loans, which are

Program by the *Export–Import Bank of Korea* (EXIM Bank) under the supervision of the Ministry of Strategy and Finance.

#### **3.2.4.4 Latin America and Africa**

Besides, there exist countries where the ODA has not well managed, such as countries in Latin America and Africa area.

In Latin America, especially Brazil, by using the foreign loans, the country has carried a huge economic construction program including a series of projects: construction of a railway from Miras Gnerais to Sao Paolo lasting more than 3 years; construction of many hydroelectric power plants which only one plant alone, the cost is 10 times larger than the amount of capital used for investing in the irrigation programs in the entire Northeast region; construction of 9 nuclear power plants; construction of steel agro-industrial complexes in the Northeast with a capital of 620 million USD. As a result, Brazil had become the world's largest debtor: 108 billion USD in 1986 and was one of the first two countries declaring bankruptcy in August 1992.

In Africa, the aid has focused heavily on building more factories, large villas, investing mainly in urban development, not being interested in agricultural development. The disproportionate investment, focusing mainly in unprofitable areas, needing the subsidy provided by the State, has led to the ineffective use of the fund, causing huge losses to the national economy. As a result, although the ODA fund source flowing into African countries of the 80s increased up to 35-40% of total ODA in the world with high preferential rates, the rate of grant reached 60-80%, the growth speed during these years still continuously decreased.

The examples mentioned above are just a few incomplete aspects and are the simple consolidation of actual experiences of countries that have been using ODA. The consideration and study of foreign experiences should not be the totally copied intact but should be considered as an urgent issue in the current period for Vietnam when ODA resources tend to continuously grow. Studying the experiences of other countries will help Vietnam to succeed early.

Since 1986, after the “Doi moi”, Vietnam has witnessed significant changes in its socio – economic life. The average GDP growth rate is at about 7.5% over the last two decades. Vietnam has become a lower middle - income country in 2010 with income per capita of USD 1,600; participated and become member of international organizations and forums such as WTO, ASEAN, APEC, etc.; fulfilled most of Millennium Development Goals (MDG).

Accounting for about 4% of GDP and 15-17% of total investment from state budget, the official development assistance (ODA) have contributed positively to Vietnam development in the fields of economic growth, hunger elimination and poverty reduction, infrastructure development, socio-economic development, environmental protection, management and rational use of natural

resources, policy making, institutional development and human resources capacity building. Therefore, the Vietnamese Government highly concentrates on how to take advantage of ODA resources and use it effectively. From 1993 to present, Vietnamese Government has issued 06 Decrees providing regulations on ODA attraction, management and utilization, including Decree No. 20/CP (1994), Decree No. 87/CP (1998), Decree No.17/2001/ND-CP (2001), Decree No. 131/2006/ND-CP (2006), Decree No. 38/ND-CP (2013), and Decree No. 16/ND-CP (2016). It can be seen that the Government's Decrees on ODA management and utilization were revised on average in every 4 years with aim to improve effectiveness and efficiency of ODA projects and programs.

Thanks for efforts of Government in institutionalizing ODA management and utilization, the ODA resources have been strictly management, meeting priority development needs of Vietnam. However, in 2010, Vietnam became a lower middle-income country; which has resulted in changes in aid policy, aid structure and development cooperation method between donors and Vietnam. The scope of concessional ODA, including grants and concessional loans, has been gradually declining. Donors have adjusted the structure of ODA funding provided to Vietnam towards reducing grants and concessional loans, opening new credit channels with less concessional lending conditions. These challenges require Vietnam to strengthen and improve ODA project performance, ensuring the loan effectiveness and enhancing the responsibilities of all stakeholders.

Therefore, the next chapter of the report will conduct an evaluation on the ODA management of Vietnam for the period from 2010 to 2015, in order to find out what is constrains and advantages of ODA management in this period. Based on that, the report will propose solutions and recommendation for the Vietnamese Government to take consideration in order to improve ODA management and use in the upcoming time.

## CHAPTER 4. DATA ANALYSIS AND KEY FINDINGS

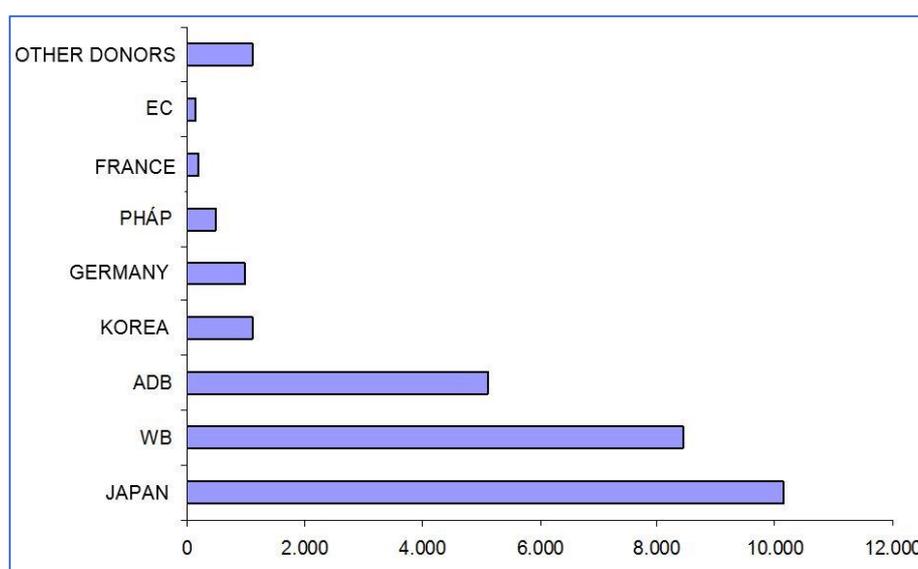
### 4.1 The current situation of ODA management in Vietnam

#### 4.1.1 General information on the mobilization, attraction and use of ODA resource in the period of 2011 -2015

Based on official report of Government, the situation of the undertaking, signing and disbursing ODA and other preferential loans of foreign donors in the period of 2011-2015 has witnessed positive changes. Firstly, the signing international treaties on ODA and preferential loans have achieved much progress. Total ODA capital and preferential loans signed under the specific international treaties in the period of 2011-2015 as of December 25, 2015 have reached 27.782 billion US dollars, increasing up 31.47% compared with the period 2006 -2010, in which, ODA loans and concessional loans reached 26.527 billion US dollars, accounting for 95.48% and non-refundable ODA reached 1,254 billion US dollars, accounting for about 4.52% of the total ODA capital and preferential loans signed for this period. The structure of ODA and preferential loans following the donors is shown in Figure 1 below. What we are seeing easily is that the Development Bank Group of 6 banks (ADB, AFD, JICA, KfW, Kexim, WB) still occupies dominant positions. The total value of ODA loans and concessional loans signed with donors in the 2011-2015 period reached 26.308 billion US dollars, of which about \$ 4.5 billion is the less concessional loan of ADB, AFD and WB.

**Figure 2: Structure of ODA loans and concessional loans signed according to regulations of donors for the period of 2011-2015**

*Unit: million USD*



*Source: MPI*

Regarding the structure of ODA and preferential loans by industry and sector, Table 1 below shows the areas of transport, environment (water supply and drainage, response to climate change, green growth, etc.) and urban development, energy and industry that have the relatively high share of ODA capital and preferential loans, while the agricultural sector and rural development combined with poverty reduction, health, social issues, education and training, science and technology, institutional capacity, etc. account for the modest rate. The cause of this situation is that the proportion of using non-refundable ODA among the total ODA capital and preferential loans in these sectors is generally high. Currently, the non-refundable ODA has fallen sharply, and a majority of programs and projects in this sector cannot afford to repay. Thus, it is difficult to use the loans, especially the concessional loans (high interest rates, short repayment period binding to commercial loan conditions), while ODA capital source (low interest rates, long repayment period) is significantly reducing.

**Table 3. ODA signed by sectors and fields in the period of 2011-2015**

*Unit: Million USD*

Sectors, fields	Total ODA and concessional loans	In which		Rate (%)
		ODA and concessional loans	Grants	
1. Transportation	9,913.73	9,565.94	347.79	35.68
2. Environment (water supply and drainage, response to climate change, etc.) and urban development	5,181.26	5,048.76	132.51	18.65
3. Energy and industry	4,762.50	4,730.15	32.34	17.14
4. Agricultural and rural development – Poverty elimination and reduction	2,632.23	2,514.79	117.44	9.47
5. Health – Society	1,292.30	1,073.12	219.18	4.65
6. Education and training	930.13	767.85	162.28	3.35
7. Other sectors (scientific technology, enhancement of institutional capacity, etc.)	3,070.14	2,827.35	242.79	11.05
<b>Total</b>	<b>27,782.29</b>	<b>26,527.95</b>	<b>1,254.34</b>	<b>100.00</b>

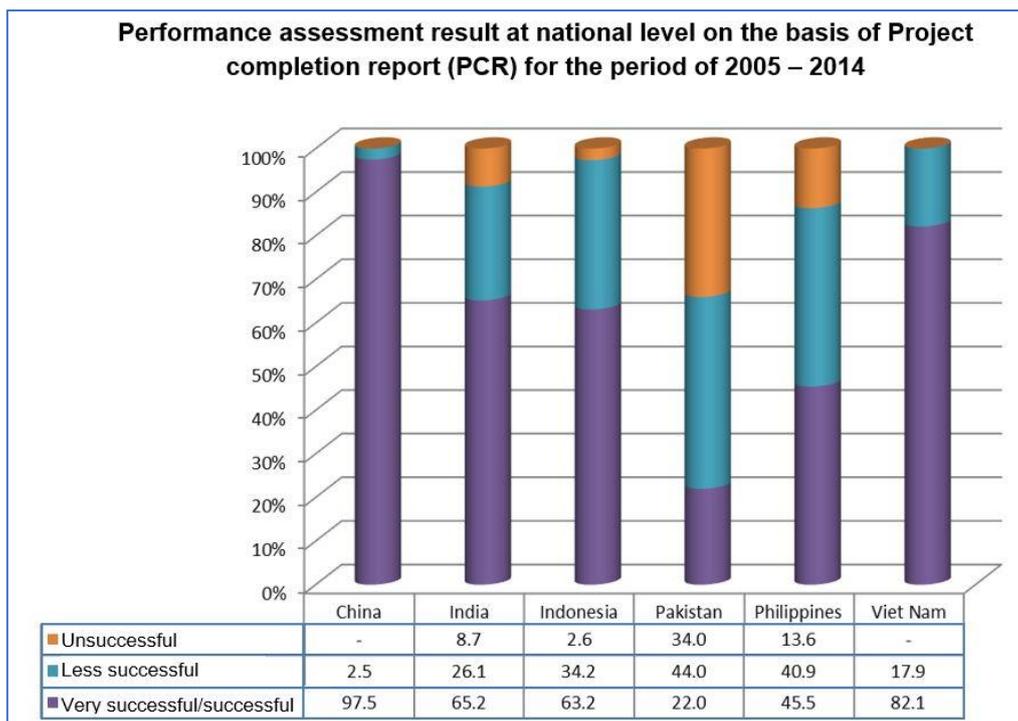
*Source: MPI*

Regarding to the ODA disbursement and concessional loans, under the guidance of the Government together with the efforts of all agencies and in close cooperation with donors, the implementation of

ODA programs and projects and concessional loans has achieved significant progress both in the implementation progress as well as disbursement of the last 5 years. It can be seen that the disbursement of ODA and concessional loans in this period has made a significant progress. Total ODA and preferential loans disbursed during this period is estimated at 22.325 billion US dollars (about 4.46 billion US dollars/year). This disbursement level is higher from 39.53 to 59.46% compared to the target set out in the ODA Proposal in the period of 2011 to 2015 and is 1.6 times higher than the total ODA disbursement in the period of 2006 - 2010. The disbursement of major donors (WB, Japan) has made significant improvements.

Based on the internal independent evaluation report of 6 Banks, the number of projects completing the development results and achieving the objectives of Vietnam by the end of 2014 has been ranked the second ranking after China and higher than India, Africa, Philippines, Indonesia and Pakistan (see Figure 3):

**Figure 3. Performance assessment result at national level on the basis of Project completion report (PCR) for the period of 2005 - 2014**



*Source: Six Development Banks Group*

ODA and concessional loans provided by foreign donors have contributed positively and effectively to the socio-economic development and played a very important role for development investment. The Table 3 shows the disbursement level of ODA and preferential loans, although it only accounts for about 2.78% of GDP and 8.64% of the total social investment in the period of 2011-2015, however, the annual average rate still accounts for around 47.37% of the total investment from the

state budget. This shows that ODA and concessional loans have an important position for the development investment in the context of shortage of state budget used for development investment while the demand for developing the socio-economic infrastructure is very big in breakthrough for the infrastructure development in a modern direction of the socio-economic development Strategy from 2011 to 2020.

**Table 4. The proportion of ODA and concessional loans to GDP, total social investment capital and total investment capital from the State budget in the period of 2011 – 2015**

Indicators	2011	2012	2013	2014	2015
1. GDP (trillion VND) <i>according to current price</i>	2,535	2,953	3,589	3,937	4,230
2. Disbursement of ODA concessional loans (trillion VND)	75.93	87.12	108.06	120.15	80.53
3. Disbursement of ODA concessional loans/GDP (%)	3.00	2.95	3.01	3.05	1.90
4. Disbursement of ODA concessional loans/Total social investment capital (%)	8.65	8.81	9.90	9.84	5.99
5. Disbursement of ODA concessional loans/Total investment capital from the State budget (%)	42.66	42.50	52.53	57.85	41.30

\* *Note: The number of disbursement of ODA and concessional loans is the estimated number*

*Source: The Government of Vietnam*

#### **4.1.2 Situation of commitment, signing and disbursement**

##### **4.1.2 1 ODA commitment situation**

Implementing the consistent foreign affair policy of the Government: "*Vietnam is willing to be a reliable partner of all countries in the international community, striving for peace, independence and development*", in the recent development stage, the mobilization, attraction and use of ODA in Vietnam has gained many positive results which are shown in three main criteria such as the committed ODA, signed ODA and disbursed ODA. Up to now, there are 51 bilateral and multilateral donors, including 28 bilateral donors and 23 multilateral donors having regular ODA programs in Vietnam. Most donors have medium-term cooperation strategy or program on development cooperation with Vietnam.

The mobilization of donors providing ODA for Vietnam is done through external activities of the Party, the Government, National Assembly, Ministries, Central and local agencies as well as

Vietnamese political and social organizations. Vietnam Consultative Group (CG) Meeting (abbreviated as CG) is a conference for ODA mobilization at the national level. This is a dialogue forum between the Government and the community of international donors on strategy, planning and socio-economic development policy of Vietnam, in which, the development cooperation relation and the provision and use aid to serve the socio-economic development and poverty reduction is an inseparable and close content. In addition to the annual CG meeting, there is also the informal mid-term CG meeting held at local level, enabling donors to close to the people and supporting their development demand.

In the new context, when Vietnam becomes a low middle-income country, the requirements for policy dialogue between the Government and donors should be deeper in content, broader in scope of participation of the parties in the development process; and the dialogue results should be monitored and implemented in real life. To meet this requirement, the Government and donors have agreed on the need to change the methods and ways of organizing the CG. At the 19<sup>th</sup> CG (12/2012), the Government and donors decided to improve the CG organizational methods by improving this Conference into an annual Vietnam Development Partnership Forum (VDPF) to focus more on dialogue on development policies.

The total ODA commitment of donors reached USD 78.195 billion with the commitment level reaching the record level in recent years (*see details in Appendix 1*), including the time the donors meeting economic difficulty. The high level of ODA commitment during the past years has expressed the strong sympathy and political support in the international community with the proper innovation and development policies of the Party and State, which are popular with the people, and expressed the donors' reliability in Vietnam in receiving and using ODA capitals effectively.

#### **4.1.2.2 Situation of signing specific international treaties on ODA**

To legalize ODA commitment by the international legal documents, the Government of Vietnam and donors have signed the international treaties on ODA of programs and projects approved by all parties. Total ODA capital signed in the specific international treaties in the period of 1993-2015 reached about 78,2 billion USD, in which, ODA and concessional loans accounted for about 90%, non-refundable ODA accounted for 10%. This signed ODA capital is the important condition for Vietnam agencies to implement, manage and disburse ODA within the specific program and project framework.

#### **4.1.2.3 Situation of disbursing ODA and concessional loans**

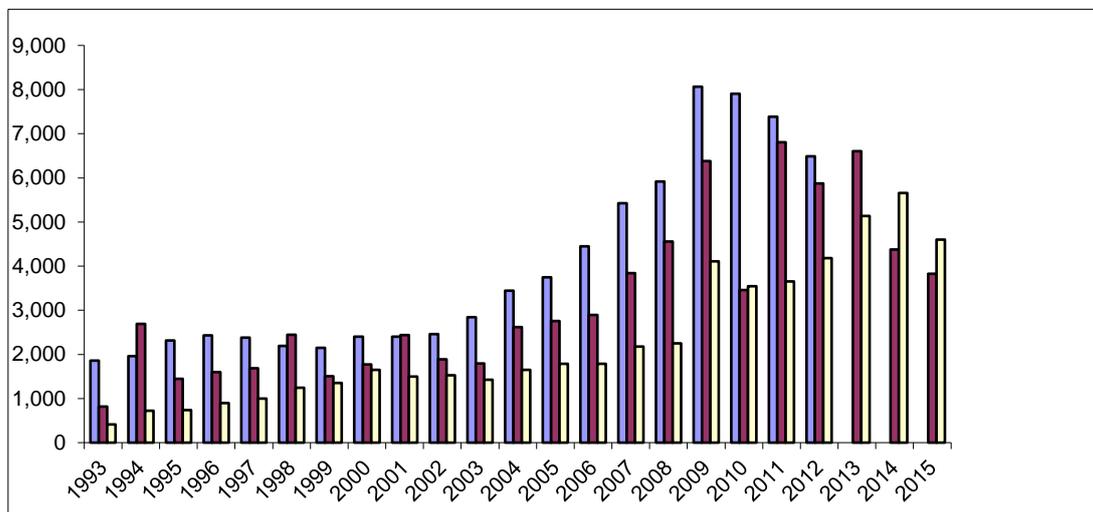
Recognizing clearly the significant in implementation of programs and projects in the creation of works, socio-economic products, contributing to the development process of the country, the agencies and all levels have made great efforts in the implementation of solutions to ensure the

progress of implementation and disbursement of programs and projects. Total ODA capital disbursed by the end of 7/2015 was expected to reach 51.889 billion US dollars, accounting for 71.28% of total ODA signed. It can be seen that the disbursement level has made certain improvement but it has not been a breakthrough. Particularly, in the last two years, thanks to the determination of the Government and efforts made by the agencies, levels and donors, the disbursement of some large-scale donors (Japan, WB) has made significant progress: the disbursement rate of Japan in Vietnam in 2011 and 2012 ranked the second position, and in 2012, ranked the 1<sup>st</sup> position in the world ranking. The disbursement rate of the WB in Vietnam increased from 13% in 2011 to 19% in 2012.

Situation of committing, signing, and disbursing ODA in recent years is shown in Figure 4 below.

**Figure 4. Committing, signing and disbursement ODA for the period of 1993-2015**

*Unit: Million USD*



*Source: FERD - MPI*

#### 4.1.3 Situation of attracting and using ODA by sectors and fields

Based on the demand for investment and development orientation by sectors, fields and regions set out in the socio-economic development strategy and plans, the Government of Vietnam has launched the strategic orientation and policies to prioritize the use of ODA for each period. The priority areas of ODA utilization periods from 2006-2010 and 2011-2015 regulated by the Government include the agricultural and rural development (including agriculture, irrigation, forestry and fisheries combined with hunger eradication, poverty reduction), the constructing the social infrastructure (health, education and training, population and developing some other fields), protecting the environment and natural resources, enhancing the institutional capacity and developing the human resources, transferring technology, increasing the capacity of research and implementation.

Structure of ODA capital in accordance with the international treaty on ODA signed in recent years complies with the orientation on prioritizing to use ODA as mentioned above. Table 4 below shows the structure of ODA signed by sectors and fields in recent years.

**Table 5. ODA signed by sectors and fields for the period of 1993-2015**

<b>Sectors, fields</b>	<b>Total amount (million USD)</b>	<b>Rate (%)</b>
1. Agricultural and rural development – Poverty elimination and reduction	10,260.35	14.09
2. Energy and Industry	13,764.33	18.91
3. Transportation and Posts and Telecommunications	21,987.98	30.20
4. Environment ( <i>water supply, drainage, response to the climate change, etc.</i> ) and urban development	10,698.12	14.70
5. Education and Training	3,002.20	4.12
6. Health - Society	3,233.79	4.44
7. Other sectors ( <i>Technology science, institutional capacity enhancement</i> )	10.06	13.53
<b>Total</b>	<b>72,798.85</b>	<b>100</b>

*Source: FERD – MPI*

*Under the field of agriculture and rural development combined with poverty reduction:* There are ODA programs and projects signed in recent years to reach a total value of about USD 10.260 billion, of which ODA loans of about 8.75 billion.

The ODA loan projects focus mainly on the irrigation, forestry and agricultural infrastructure sectors in combination with hunger elimination and poverty reduction. In irrigation sector, ODA loans support the development of irrigation systems in the Central region, Red River Delta, Mekong Delta (WB1, WB2, ADB3, ADB5, ADB6, JICA1, JICA2, etc.), support disaster recovery (WB4, WB5, ...), the system of a large number of irrigation systems such as Phan Ri - Phan Thiet irrigation system, mitigation of flood and drought in greater Mekong region, Phuoc Hoa irrigation system and flood control in Saigon, etc.

In the forestry sector, the ODA loan projects support the reforestation, protection and development of forests; in particular, support the implementation of the 5 million hectare reforestation Program.

In the field of agricultural infrastructure development associated with hunger eradication and poverty reduction, ODA loan projects support the development of rural infrastructure in some difficult localities (P135, Poverty Reduction Project in Northern mountainous provinces, *Central region livelihood improvement project*, Community Based *Rural Infrastructure Project* for Vietnam, rural water supply programs, rural roads and rural electrification, etc.), remedy natural disaster consequences, epidemics, improve the quality and safety of agricultural products, support agricultural competitiveness, etc.

In general, ODA loans used in the sectors of agricultural and rural development combined with poverty reduction have contributed to supporting the agricultural development, improving an important step to the lives of people living in the remote areas and ethnic minority areas, especially in accessing to public services in the fields of health, education, etc.

*In the field of energy and industry*, total ODA capital signed in recent years has reached 13.764 billion US dollars, of which 13.57 billion is ODA loan. ODA capital source has supported the rehabilitation, upgrading and development of new thermal power plants and hydropower plants with large capacity, typically Phu My 2.1 thermal power plant of 288 MW capacity; Pha Lai Thermal Power Plant II with 600 MW capacity; Ham Thuan - Da Mi hydropower plant with 475 MW capacity; Phu My I thermal power plant of 1,090 MW capacity I; O Mon Thermal Power Plant of 600 MW capacity; Dai Ninh hydropower plant of 360 MW capacity. Supporting for the improvement and development of the power transmission network and the national power distribution, meeting the demand for increasing the annual production and lives in cities, townships, towns, industrial zones and rural areas within the country. This is the major and meaningful capital source in the context of shortage of budget used for investment while the domestic and external private sector, during the initial development stage, has not been much interested in investing in developing the power grid and power source because of large capital requirement and slow capital recovery process.

*In the field of transportation and telecommunications*, total ODA capital signed in recent years reached 21.987 billion US dollars, of which, 21.259 billion is ODA loan. Through this fund, Vietnam has restored and initially developed the systems of roadways, railways, airways, seaways and inland waterways: the road system in the north (Highways 5, 10, 18), Highway 1A, Highway of Ho Chi Minh City - Long Thanh - Dau Giay, Trans-Asia road of Ho Chi Minh City - Moc Bai, Hai Van Pass; Cai Lan deepwater port, Tien Sa Port (Da Nang), Saigon Port; Tan Son Nhat International airport; big bridges such as My Thuan Bridge, Can Tho Bridge, Thanh Tri Bridge and Bai Chay Bridge, coastal communications system, rural telephone and the internet community, etc.

This is the vital economic infrastructure to promote the development of sectors, fields and localities, including attraction of foreign direct investment capital.

*In the field of education and training*, the total ODA mobilization in recent years reached 3,002 billion dollars (2,171 billion belong to ODA loans and 831 million USD belong to non-refundable aid). ODA has supported for the implementation of education reform at all levels of education (primary education, junior education, high school, colleges and universities and vocational training), training teachers, capacity building in education planning and management, providing scholarships for abroad university and post-graduation, assigning officials for abroad training and retraining in fields of economy, science, technology and management. The typical ODA loan projects include the Vietnamese German University construction project (WB) with the goal of building the Vietnam-Germany University to become a leading university, a training and research center in Vietnam, reaching the regional and international levels; the Hanoi University of Science and Technology Construction Project (ADB) with the goal of building the Hanoi University of Science and Technology to become an excellent university with uniform facilities and equipment, with modern model of organization and management methods which has the high autonomy and self-responsibility.

*In the medical-social field*, total ODA capital mobilized in recent years reached 3.233 billion dollars (1.831 billion belong to ODA loans and 1.402 billion belong to non-refundable aid). ODA loan programs and projects in the medical field are used to enhance the infrastructure and technology for health care (building hospitals and strengthening health facilities for some provincial and urban hospitals, district hospitals and healthcare stations of communes), improving the quality of health services through the provision of basic medical equipment and high-tech medical equipment, building the facilities for production of antibiotics, the national blood transfusion centers, etc. Strengthening the family planning; supporting the implementation of national target programs on healthcare, HIV/AIDS and other infectious diseases such as tuberculosis, malaria, dengue, influenza of A/H5N1, H1N1, etc.; supporting the development of human resources, policy development and capacity building to manage the health sector.

*In the fields of environment and urban development*, total ODA capital mobilized in recent years reached 10.698 billion dollars (9.484 billion belong to ODA loans and 1.213 billion belong to non-refundable aid).

Thanks to ODA capital sources, most of big cities, cities under provinces, towns and some townships have the water supply system. Major cities such as Hanoi, Ho Chi Minh City, Hai Phong, Da Nang, Can Tho, etc. are currently implementing ODA projects in developing the important

urban infrastructure with large-scale such as the metro lines, wastewater and solid waste sewerage and treatment, etc.

ODA has also supported the protection of environment and natural resources, prevention and reduction of disaster risks, response to climate change, sustainable development and green growth. Typical large-scale programs and projects include the Support Program to Respond to Climate Change in Vietnam to support Vietnam to implement the National program to Respond to Climate Change; Project of small satellite to observe the of natural resources, environment and natural disaster - VNREDSat-1 sponsored by France and VNREDSat-1 sponsored by Belgium in order to strengthen disaster prevention and response to climate change by the satellite technology, improving natural resource management, environmental technologies by satellite, proceeding to produce their own small satellites of Vietnam at requested by the Strategy for research and applications of space technology until 2020” and promoting the development of science and technology and promoting high-tech industries related to satellite technology. In addition, ODA capital also supports programs and projects on forestation and greening barren land and hills, building and protecting the biospheres, national forests and natural reservation areas, etc.

*In the field of science and technology, strengthening the institutional capacity, developing the human resources, culture and information, etc.:* the total ODA capital mobilized in recent years reached 9.852 billion dollars (8.263 billion USD are under ODA loans and 1,589 billion are under grant aids). Through ODA programs and projects, more advanced technologies, skills and management experience have been transferred. A significant number of students, staff of the ministerial authorities and the local agencies have been well-trained and increased the levels at abroad universities and institutions and training centers. Typically, there are infrastructure development project of Hoa Lac Hi-tech Park and Vietnam Space Center project funded by Japan. In addition, ODA has supported resources in the research and building laws and the bylaws of many ministries and agencies such as the Land Law, Commercial Law, foreign Investment Law, Enterprise Law and the Public Investment Law, etc.

Also, through the receipt of ODA capital source and the advanced technologies in the world, such as construction technology of roads, bridges, railways, tunnels passing the mountains, technology of building and operating the power plants, remote sensing technology, etc., the modern skills and management technology have been transferred to Vietnam. Thus, many companies of Vietnam have been able to participate in international competitive bidding. This is the positive side of ODA capital source that foreign direct investment (FDI) cannot support.

In the field of culture, information, ODA loans have supported to upgrade the Vietnam Television, Voice of Vietnam, etc., contributing to raising the effectiveness of coverage, reaching the effectiveness of disseminating guidelines and policies of the Party and Government.

In addition, ODA can also be used to support the budget through non-refundable loans and grants tied to the policies of the World Bank, ADB, IMF and some bilateral donors such as supporting the implementation of economic policies in the fields of finance, monetary, banking, private sector development, equitation of State enterprises.

#### **4.1.4 General evaluation and points of view**

##### ***4.1.4.1 Situation of committing, signing and disbursing ODA which has been improved by periods:***

Data in Table 5 shows that over the period of the committing, signing and disbursing ODA capital, there has been certain progress, in which from 2006 until now, there has been steady progress. This result gained thanks to the efforts of the Government of Vietnam and donors in the improvement and harmonization of processes, procedures and institutional completion, capacity building at all stages: (i) establishment of project documents (ii) appraisal and approval of projects; (iii) negotiation and conclusion of agreements; and (iv) organization, management and implementation of projects.

**Table 6. Compare the commitment, signing and disbursement during period 1993-2015**

<b>Period</b>	<b>Commitment (million USD)</b>	<b>Signing (million USD)</b>	<b>Disbursement (million USD)</b>
<b>1993 - 1995</b>	6,131	4,954	1,875
<b>1996 - 2000</b>	11,546	9,006	6,142
<b>2001 - 2005</b>	14,889	11,495	7,887
<b>2006 - 2010</b>	31,756	21,131	13,860
<b>2011 – 7/2015</b>	13,872	26,212	22,125

##### ***4.1.4.2 The project scale under ODA signing agreements increases over time***

The data stated in Table 6 shows the number of signing agreements in the period of 2006 to 2010, which is only equal to 58.5% compared to the period from 2001 to 2005, but the average size of the programs and projects in this period is almost 2 times higher. This shows that there has been a change in approach and use of ODA: ODA focuses to prioritize for investment projects in uniform infrastructure development with the relatively large scale, especially in the fields of transport, energy and industry, communications, urban infrastructure development (*urban transport, water*

supply and environmental sanitation, etc.); Applying the approach to the programs, projects through national target program or sector programs implemented in various localities, in which, the most evident project is the transport sector (*Third Rural Transport Project*); in the agricultural and rural development sector combined with poverty reduction (*Forestry program, Program 135 Phase II, rural water supply program, etc.*); in health care (*construction of hospital system according to regions: Health Care in the Central Highlands Project, Mekong Delta Health care project, etc.*); in education and training (*education project for everybody, education of children in difficult circumstances, etc.*).

**Table7. Average scale of projects by periods**

<b>Period</b>	<b>Number of signed Agreements</b>	<b>Total ODA Capital (million USD)</b>	<b>Average Scale (million USD)</b>
<b>1993 – 2000</b>	1,026	13,960	13.60
<b>2001 – 2005</b>	723	11,495	15.90
<b>2006 – 2010</b>	423	21,131	49.95
<b>2011 – 7/2015</b>	340	26,212	77.09

*Source: MPI*

#### **4.1.4.3 ODA loans increased while grants decreased over time.**

While the proportion of total ODA loans increased from 80% (1993-2000) to 81% (2001-2005), 93% (2006 - 2010) and currently stands at 96% (2011-7/2015), recently especially after Vietnam becomes a low middle-income country in 2010, the cost of loans tends to increase. Many ODA conditional loans have external constraints, causing the high input costs, affecting the efficiency of investment and repayment capacity in the case of on-lending ODA loans. This fact requires the use of ODA loans during the near future efficiently, ensuring the capacity of borrowing and repaying foreign debts sustainably.

*4.1.4.3 The local increasingly involved more in the receipt, management and implementation of ODA:* Impacting on this trend is due to the decentralization of attraction and use of ODA of the Government, particularly after the promulgation of Decree No. 38/2013/ND-CP dated 23/04/2013 by the Government on management and use of ODA and preferential loans from donors.

#### **4.1.4.4 ODA's contribution to economic growth has increased gradually**

Table 7 shows the contribution of ODA to GDP growth which has tended to increase over the years and has been often higher in periods of country's economic difficulties and challenges (*for example, in the period of Asian economic crisis of 1997-1998 and global economic downturn and financial crisis from 2008 to 2009*). In the period of 2004-2014, ODA accounted for an average of 3.25% of

GDP, which is not a large portion, but we can see its positive impact in stimulating investment, contributing to maintaining the growth momentum of Vietnam.

**Table 8. ODA's contribution to GDP of Vietnam**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Exchange rate of USD/VND (per year)	15,770	15,800	16,017	16,110	16,583	17,967	18,932	20,803	20,828	21,036	21,246
GDP exchange into USD (billion USD)	45.30	53.11	60.83	70.99	89.11	86.52	106.40	122.00	128.00	134.93	142.99
Proportion of ODA in GDP (%)	3.64	3.36	2.93	3.07	2.53	4.16	3.30	3.00	3.26	4.64	3.95

*Source: The Government of Vietnam*

#### **4.1.5 Achievements**

Firstly, Vietnamese Government has the clear orientation and policies in attracting and using ODA funds for each period in order to support the implementation of ten year-socio-economic development strategy and five-year plan. The management and use of ODA since 1994 to now have been done basing on the decrees of the Government (*previously, the management of aid was made basing on the decisions of the Prime Minister*). Decree 20/CP issued in May 3/1994 was the first legal document at Decree level on the management of development aid. Since then, the Government has continued to issue three decrees on the management and use of ODA, including Decree 87/CP (1997), Decree 17/2001/ND-CP (2001), Decree No. 131/2006/ND-CP and Decree 38/2013/ND-CP (2013) and the most recent one is Decree 16/2016/ND-CP dated 03/16/2016. The later Decree is more advanced than the previous ones because it has been built on the basis of inheriting the preminent content of the previous decrees together with the improvement basing on the new context of Vietnam and aids. It can be said that ODA disbursement level has certain

improvements over the years thanks to the close administration of the Government and efforts of all agencies and donors to accelerate the implementation and disbursement of ODA.

Secondly, the management and implementation of ODA in the ministries, agencies and localities have been improved through the promulgation of internal regulations on the mobilization, attraction and use of ODA (*Ministry of Health, Ministry of Construction, Hanoi People's Committee (PC), HCM PC, Can Tho PC and Thai Nguyen PC, etc.*) to facilitate the streamlining processes, procedures and to strength the coordination between relevant departments or agencies. The close coordination between the agencies of Vietnam and donors, particularly the positive role of ODA working group of the Government, which was then upgraded to a National Steering Committee on ODA and concessional loans in solving difficulties and problems, has improved the implementation and acceleration of disbursement. The Working group of Government (which is now the National Steering Committee on ODA and preferential loans) and Group of 6 Development Banks (ADB, AFD, JICA, Kexim, KfW, WB) have jointly organized *Joint Portfolio Performance Review (JPPR)*, building and organization of conducting the action plans on the improvement of implementation and acceleration of disbursement of ODA, in which, the harmonization and streamlining of procedures between Vietnam and donors are interested and focused.

Thirdly, the Donors have cooperated closely with the agencies of Vietnam to implement a number of initiatives within the framework of the *Partnership Group for Aid Effectiveness (PGAE)* (2004-2010), Aid Effectiveness Forum (from 2010 to now) to fulfill the commitments and targets in the Paris Declaration, the Hanoi Commitment on aid effectiveness. Results of the survey and evaluation of the implementation of 2011 showed that Vietnam has made good commitments and completed a majority of the targets set out in the documents above. With this success, Vietnam is internationally regarded as one of the leading countries in the field of enhancing the effectiveness of aid.

Fourthly, the monitoring and evaluation of ODA was focused and strengthened, especially after the Government issued Decree No. 131/2006/ND-CP adopting the regulations on establishing systems of monitoring and evaluation of ODA at national level, executing level and project owner level. The monitoring and evaluation of this fund will be more strictly regulated in the Law on Investment.

#### **4.1.6 Problems and shortcomings**

Although the implementation and disbursement of ODA and concessional loans have achieved certain progress, but compared with the schedule set out in the agreements signed, it still remains unsatisfactory, in which, many programs and projects have to be extended. This limitation stems such as:

*Difference between the procedures of Vietnam and Donors:* Although between Vietnam and donors have achieved much progress in the harmonization of process and procedures, there are still

differences between the two sides. In the current legislation, there are often provisions on the primacy whereby in case of the difference between the provisions of Vietnam and the donors, provisions stated in the signed international treaties shall be complied. In fact, showing specifically the detailed difference in the international treaties is not simple, therefore, to ensure the safety before inspection and audit, the project owners usually apply methods of "dual submission for approval" to both sides of Vietnam and the donors leading to time consuming process in submission for approval and decision making during the implementation of ODA programs and projects. Quality of documents of Programs, and projects has not met the requirements due to of the Executing agencies; project owners have not promoted their ownership in developing project documents, feasibility reports. In order to make the project documents adopted easily, the project owners often let the international consultants (hired signed contracts by donors) autonomous in designing and the project owners only provide information and data leading to the unsuitable design options which cannot be applied in Vietnam when being put into practice. The next reason is the qualification of construction consulting experts does not meet the requirements and the last is the quality of survey, design is not sufficient and is not close to the actual situation leading to the fact that, when implementing, there is the need of adjustment and supplementation and during the construction, there is appearance of volume increased.

*It often lasts a long time to prepare the project and prepare the project implementation:* The time for preparation of programs, projects often lasts, ranging from stage of proposing the project until the conclusion of specific international agreement. It often takes around 2-3 years leading to the need of adjusting the design, changing the estimated technology option, changing in total investment capital due to fluctuation of price and increase of land clearance. Based on Decree 38/2013/ND-CP dated 23/4/2013 by the Government to conduct advance actions, the time to prepare programs and projects has been shortened considerably in 2013 and 2014). *Problems in land clearance* (Difficulties in land clearance due to: (i) difference in policies of compensation, clearance and resettlement between Vietnam and donors; (ii) the unstable planning in some localities has led to the adjustment of projects; (iii) lack of counterpart funds for compensation, land clearance and resettlement.

*Problems in procurement process:* The problems in the procurement process take place from the preparation of bidding documents to the stage of organization, review and approval of the bidding results: The difference in processes and procedures between Vietnam and donors, the unsatisfactory quality of bids are due to limited capacity of preparing bidding documents, the difficulty in selection of contractors, the delayed time of reviewing and approving the bidding results both from

Vietnam and donors and other problems arising in the bidding process such as complaints of contractors, policy and institution changes, etc. have slowed the process of project implementation.

*Problems in lacking the counterpart funds:* The lack of domestic capital, especially in some ministries and agencies receiving and implementing ODA and concessional loans (Ministry of Transport, Ministry of Agriculture and Rural Development, etc.) and in some localities that are eligible for supported by the central budget, the lack of counterpart funds have affected the implementation progress of programs and projects, especially in the stage of compensation, land clearance and resettlement and implementation of construction works under the contribution of Vietnam.

*Limitations in qualification of organizing and managing ODA and concessional loans at local level:* Because leaders and officers of some project management units often hold concurrently so their professionalism is not sufficient. Many officers have experience in managing projects, and have been trained, but due to the work requirement, they have to move to other positions, thus, the management and implementation of project is inefficient. In addition, the salaries and incentives for project officers are limited. Regarding the cooperation and support of the relevant units, due to their limitation in capabilities of foreign languages, understanding the donors' processes and procedures and the project, it has resulted in limitation of submission for approval and slow handling of problems, causing delays for the project implementation process.

*Lack of experience in negotiating contracts:* Management of contracts (price adjustment, formula of calculating price escalation, change in costs leading to prolonging the contract performance, etc.) is a difficult problem in recent times faced by a number of programs and projects. For contract management issues, in addition to the fact that the project owners have not had a lot of experience in establishment, negotiation and management of contracts, there is the other reason that foreign contractors have not thoroughly grasped the laws of Vietnam, leading to different interpretations of the contract and occurrence of disputes.

*Qualification of contractors:* Limited qualification of domestic contractors is one of the reasons leading to progress delay. Due to regulations, to change the unqualified contractor, there shall be a need of re-bidding another contractor instead of continuously selecting the second ranked contractor and the arbitration of responsibilities and obligations of contractors is complicated, thus, project owners often do not apply the option of changing contractor, leading to the delay in project implementation progress.

This fact requires a consistent procurement mechanism to facilitate the replacement of contractors that are not qualified enough. Some contractors performed the projects with concessional loans in Euro so these contractors went bankrupt (as in some projects funded by Italy). The handling of this

issue meets difficulty because the projects were sponsored by European bilateral donors under the form of binding conditions.

## **4.2 Contribution of ODA to the socio-economic development in period of 2011 - 2015**

### **4.2.1 ODA by sectors and fields**

Firstly, in the transportation sector, total ODA capital and preferential loans signed in the period 2011 - 2015 was over US \$ 9913 million, accounting for the highest proportion (35.68%) of ODA capital structure and preferential loans in this period. Many national key projects, programs have used ODA capitals and preferential loans such as Noi Bai - Lao Cai Highway, Ho Chi Minh City - Long Thanh - Dau Giay Highway, Vinh Thinh Bridge and Nhat Tan Bridge, connection road of Nhat Tan - Noi Bai international airport, terminal T2 of Noi Bai international airport and many other completed constructions which have been put into operation to contribute to the completion and modernization of the socio-economic infrastructure systems, improving the competitiveness of the economy in the context of deep and broad integration of economy. Besides, the technical assistance project has contributed to the training of technical staff serving the construction of highways in Vietnam, sea transport and inland waterways, etc.

Secondly, in the field of energy and industry, the total ODA and preferential loans signed in the period 2011 - 2015 reached about 4762 million, equal to 17.14% of total ODA and preferential loans signed in the same period. ODA and preferential loans were used effectively, as shown by the strong development of the electric power supply system, power transmission grid and distribution grid, improving the reliability and safety operation of system, etc. The programs, projects have really brought practical results for the development investment in electricity, contributing importantly to the economic growth and improving people's lives, as well as contributing significantly to the industrialization and modernization of the country.

In the period of 2011 - 2015, ODA capital and preferential loans have supported to construct a number of important power sources and transmission systems and power distribution systems such as: 500KV Pleiku - My Phuoc - Cau Bong transmission line which has great significance in responding to the urgent need of transmitting the power of power plants in the Central Highlands into the national electricity system, enhancing the capacity to provide adequate power to the southern region and forming the linkages of 220KV power transmission grid system between the power transmission system of the Central highlands and the South and from now until after 2020; or the underground cable project of 110KV of Ha Tien - Phu Quoc to ensure a stable power supply system for Phu Quoc island district from the national electricity system with a transmission capacity of up to 131 MVA capacity, meeting the requirements of socio-economic development and improving the competitiveness and bringing Phu Quoc to become an important special economic

zone, with high-quality tourism of the country, nationally and internationally; Nghi Son thermal power plant project 1 with the capacity of 3.6 billion kWh will ensure the supply of electricity for production activities in Nghi Son Economic Zone, meeting the need of socio-economic development demand of Thanh Hoa in particular and the Central North region in general.

Thirdly, in the environmental sector (water supply and drainage, response to climate change, green growth, etc...) and urban development, the total ODA capital and preferential loans signed in the period 2011-2015 reached about 5,181 million USD, equal to 18.65% of total ODA and preferential loans signed during the same period. Thanks to ODA and preferential loans, the national urban upgrading program has been deployed to assist the disadvantaged areas such as Mekong Delta, northern mountains, contributing to reducing wealth disparities. Most of the major cities, provincial cities, towns and some towns have the water supply systems such as the Lai Chau water supply project; Song Cong water supply project, Thai Nguyen Province, etc. Big cities such as Hanoi, Ho Chi Minh City, Hai Phong, Da Nang, etc. have been currently implementing ODA projects in the development of key urban infrastructure with large-scale such as metro line, wastewater and solid waste sewerage and treatment systems, etc.

ODA has also supported the environmental protection and natural resources, prevention and reduction of disaster risks, response to climate change, sustainable development and green growth. Typically large-scale programs, projects include: Program to support Vietnam in response to climate change, project of small satellite to observe the of natural resources, environment and natural disaster - VNREDSat-1 in order to strengthen disaster prevention and response to climate change by the satellite technology, improving natural resource management, environmental technologies by satellite, proceeding to produce their own small satellites of Vietnam at requested by the “Strategy for research and applications of space technology until 2020” and promoting the development of science and technology and promoting high-tech industries related to satellite technology.

Fourthly, in agricultural sector and rural development combined with poverty reduction, total ODA and concessional loans signed during period of 2011 - 2015 reached more than 2,632 million USD, equal to 9.47% of the total ODA and concessional loans signed in the same period. Although the capital was lower than the period of 2006 – 2010, in general, the effective use of ODA capital source has supported the major irrigation system such as Phan Ri-Phan Thiet irrigation system contributing to the regulation of water sources, serving the irrigation, flood control and power production provide drinking water for major cities and urban areas concentrated, rural areas and ethnic minority areas. In addition, ODA mobilization for the implementation of reforestation projects, improve yields, increase productivity and product quality of some plants and animals in

the local strengths. Many technical assistance projects were implemented to support improved competitiveness of agriculture, hygiene, food safety, strengthen the extension, and promote research and innovation in manufacturing, processing and export of agricultural products.

An important part of ODA capital and preferential loans, especially ODA grant aid has been used to support the sustainable poverty reduction through the implementation of the 135 program phase 2, small-scale project of development of rural infrastructure in the Northern mountainous provinces and some provinces in the Central Highlands, a number of projects of creating livelihoods for the rural poor, ethnic minorities in some localities such as agricultural development projects of the Western area of Nghe An province.

Fifthly, in the medical-social field, total ODA capital mobilized in period of 2011- 2015 reached 1,292 million dollars, equal to 4.65% of total ODA and concessional loans signed in the same period. ODA loan programs and projects in the medical field are used to enhance the infrastructure and technology for health care (building hospitals and strengthening health facilities for some provincial and urban hospitals, district hospitals and healthcare stations of communes), improving the quality of health services through the provision of basic medical equipment and high-tech medical equipment, building the facilities for production of antibiotics, the national blood transfusion centers, etc.; strengthening family planning, supporting the implementation of national target programs on healthcare, HIV/AIDS and other infectious diseases such as tuberculosis, malaria, dengue, influenza of A/H5N1, H1N1, etc., supporting the development of human resources, policy development and capacity building to manage the health sector.

The health sector has used ODA grant aid at a relatively high level, accounting for approximately 30% of total ODA capital and preferential loans for this sector to support the preventive health and public health care development for the poor in rural areas, mountainous areas and ethnic minority areas, and support the capacity building for establishment and implementation of policy, planning and management in developing sector. In the context of the non-refundable ODA capital reduction, it will be a challenge in finding appropriate additional funds to ensure health care for the objects in these areas and strengthen the health sector.

Sixthly, in the field of education and training, the total ODA and concessional loans signed in period of 2011 - 2015 reached 930 million USD, equal to 3.35% of the total ODA signed in the same period. ODA has supported for the implementation of education reform at all levels of education (primary education, junior education, high school, colleges and universities and vocational training). The outstanding issue for period of 2011-2015 is the Government's decision in using the loans and concessional loans to support building some excellent universities in order to orient to the national and international university education level. This decision has important

implications in contributing to a breakthrough in the development strategy of Vietnam on human resource development, especially high-quality human resources. Typical projects in this direction include the project to build the Vietnam-Germany University, the Hanoi University of Science and Technology Construction Project (ADB), etc.

Seventhly, in the field of science and technology, to strengthen the institutional capacity, human resource development, etc., the total ODA capital and preferential loans signed in the period 2011 - 2015 reached 3,070 million, equal to 11.05% of the total ODA and concessional loans signed in the same period. Through ODA and concessional loan programs and projects, many advanced technologies, skills and management experience have been transferred. A significant number of students and staff of the ministries, agencies and localities have been trained and enhanced the knowledge at universities. Typically, there are the project of completing the legal framework and strengthening the management capacity, European Trade Policy and Investment Support Project (EU-MUTRAP) and Project of Capacity Building for commercial industry of Vietnam to control the greenhouse gas emissions and strengthen the response to climate change, project of promoting the innovation through scientific and technological research, the on-going project of Hoa Lac Hi-tech Park with the tasks of research, development and application of high technology, germinating the business and training human resources with high technology, manufacturing and doing business of high-tech products, contributing to the socio-economic development, etc. Project of training tourism and hotel human resources focused on improving the capacity for tourism training schools in Hai Phong, Hanoi, Hue, Da Nang, Da Lat, Nha Trang, Ho Chi Minh City, Vung Tau and Can Tho funded by Luxembourg, etc.

#### **4.2.2 ODA by regions and territories**

In the period of 2011-2015, many programs and projects on developing the socio-economic infrastructure of the Central and localities have been invested by ODA and preferential loans in the areas within the country, contributing to the hunger eradication and poverty reduction, creating a favorable environment for investment, production, business and improvement of people's lives, especially in rural areas, mountainous areas and ethnic minority areas. The strength and potential of many localities have been enhanced through projects of regional connection with major economic centers such as Hanoi, Ho Chi Minh City, Da Nang, Can Tho and Hai Phong, the border gates and international seaports, airports across the country.

Compared to the period of 2006 - 2010, ODA and preferential loans per capita in period of 2011 - 2015 was a significant upward trend, especially in regions previously having difficulty in accessing ODA and concessional loans (Table 84) as Central Highlands (increasing by 3.5 times), Southeast (increasing by 1.9 times), and Mekong Delta (increasing by 2.2 times).

**Table 9. ODA capital signed is allocated by regions in period of 2011 - 2015**

Regions	Total ODA (Million USD)	ODA per capita (USD/person)	Proportion of ODA compared to the whole country (%)
1. Red River Delta			
- Excluding Hanoi	2,091.58	155.43	7.53
- Including Hanoi	4,557.57	223.61	16.40
2. Northern midlands and mountainous areas	723.92	63.06	2.61
3. North Central and Central Coast	3,312.22	171.49	11.92
4. Central highlands	416.04	76.99	1.50
5. South East:			
- Excluding Ho Chi Minh City	1,058.95	140.18	3.81
- Including Ho Chi Minh City	3,312.78	216.60	11.92
6. Mekong Delta	2,238.54	128.56	8.06
7. Inter-regions (*)	12,915.93		46.49

Note: (\*) Localities benefiting indirectly or partly but not specific fund allocated for each locality.

Source: MPI

### 4.3 Evaluation on the attraction and use of ODA capital in the period of 2011-2015

#### 4.3.1 Achievements

Total ODA and preferential loans signed and disbursed in the period of 2011 - 2015 exceeded the targets set out in the ODA Proposal of 2011 - 2015 and was higher than that of the previous 5-year period (see Table 9):

**Table 10. Committing, signing and disbursing through periods**

Period	Commitment (million USD)	Signing (million USD)	Disbursement (million USD)
1993 - 1995	6,131	4,954	1,875
1996 - 2000	11,546	9,006	6,142
2001 - 2005	14,889	11,495	7,887
2006 - 2010	31,756	21,131	13,860
2011 - 2015		27,782*	22,325*

*Note: (\*) The ODA and concessional loans signed, disbursed of 2015 is the estimate amount.*

*Sources: MPI*

The concern of the National Assembly on the effective use of ODA and concessional loans of donors: In recent years, when the public debt has increased, the National Assembly is interested in the effectiveness of ODA and concessional loans, especially at the end of year session of the National Assembly in order to review and adopt the annual socio-economic development plan and the budget plan. In addition, the Commission of the National Assembly organizes the thematic supervision on the quality and efficiency of investment projects using ODA and preferential loans in the specific field. This is the encouragement, and the requirement of the National Assembly for the State management agency on ODA and preferential loans, the ministries, agencies and localities to ensure the attraction, management and effective use of this resource, ensuring the public debt safety.

The Government need to complete the institutional framework to attract, manage and use ODA and preferential loans in line with the new development cooperation context and had issued Decree No. 38/2013/ND-CP on the management and use of official development assistance (ODA) and preferential loans from donors to replace Decree 131/2006/ND-CP. This Decree has made a progress in terms of: (i) expanding the scope of adjustment of the Decree, including concessional loans from donors to offset the decline of ODA loans; (ii) identifying the new methods and models of aid to improve the aid effectiveness; (iii) encouraging the private sector to have access and use of ODA and preferential loans; (iv) decentralizing more strongly the authority to approve programs and projects using ODA and preferential loans; (v) establishing the project management unit in compliance with regulation following the simple direction to reduce the transaction costs.

After the Constitution of 2013 came to effect from 01 January 2014, the Government issued Decision No. 1518/QĐ-TTg on August 26, 2014 to shorten the implementation process of signing international treaties on behalf of the State on ODA and preferential loans of donors. The strict and close direction and administration of the Government to promote the progress of signing, implementation and disbursement of programs and projects using ODA loans and concessional loans. As per requested, the Government and the Prime Minister issued in time many and the directives, resolutions and decisions to strengthen the preparation and implementation of programs and projects using ODA loans and concessional loans, urging key and large-scale investment projects but slow in progress to improve the implementation and enhance the proportion of disbursement of programs and projects.

Enhancing the interdisciplinary collaboration to solve problems arising during the preparation and implementation of programs and projects: The National Steering Committee on ODA and

preferential loans was established under Decision No. 216/QĐ-TTg dated 01/23/2013 by the Prime Minister with the Chairman of the Deputy Prime Minister Hoang Trung Hai, the Vice Chairman of the Minister of Planning and Investment and representative leaders of a number of Ministries, branches and localities. After more than two years of operation, the Steering Committee has been actively promoting the role to solve the difficulties and problems of the programs and projects to improve the implementation and accelerate the disbursement progress.

Beside organizing field trips to promptly seize, remove obstacles, the Steering Committee also sets up a coordination mechanism with the Development Group of 6 banks (WB, ADB, AFD, JICA, Kexim, KfW) to jointly organize *Joint Portfolio Performance Review (JPPR)* meetings every 02 year; building and organization of conducting the action plans on the improvement of implementation and acceleration of disbursement of ODA, in which, the harmonization and streamlining of procedures between Vietnam and donors are interested and focused.

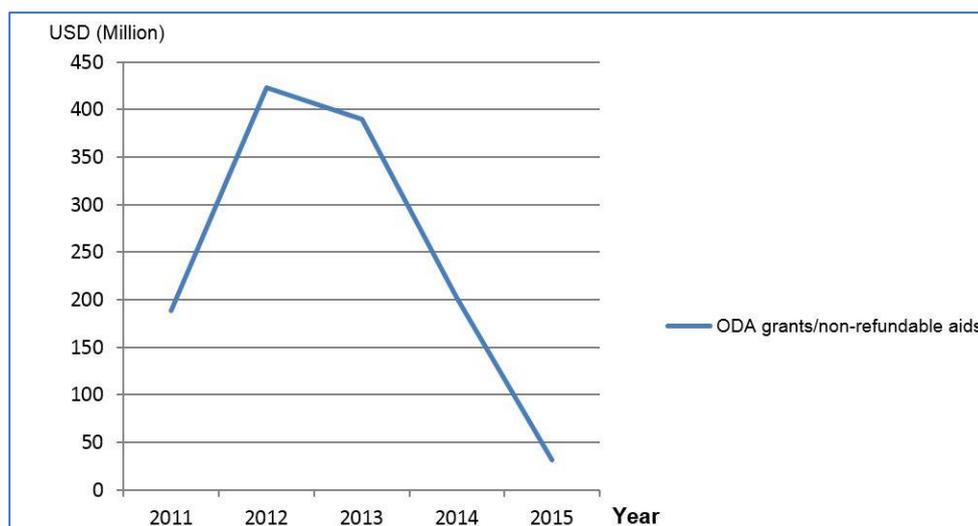
The management and implementation of ODA capitals and preferential loans at the ministries, agencies and localities has gained much progress such as many ministries, agencies and localities have strengthen the organization, management, and establishment of Project Management Units under the professional direction, issuing internal regulations on management and use of ODA capitals and preferential loans to assign tasks, decentralize the jurisdiction under the provisions of law and strengthen the internal coordination, as well as with other agencies and donors.

#### **4.3.2 Difficulties, limitations and causes**

Besides the above-mentioned results, the attraction, management and use of ODA in the past five years still exists some shortcomings and limitations that should be overcome in the future, including:

Firstly, some donors, especially donors of ODA and non-refundable grants have been reducing or deciding to terminate the official development assistance program for Vietnam, while several other donors have been moving away from ODA concessional loans to loans with less favorable conditions.

#### **Figure 5. Situation of signing ODA grants for period of 2011 – 2015**

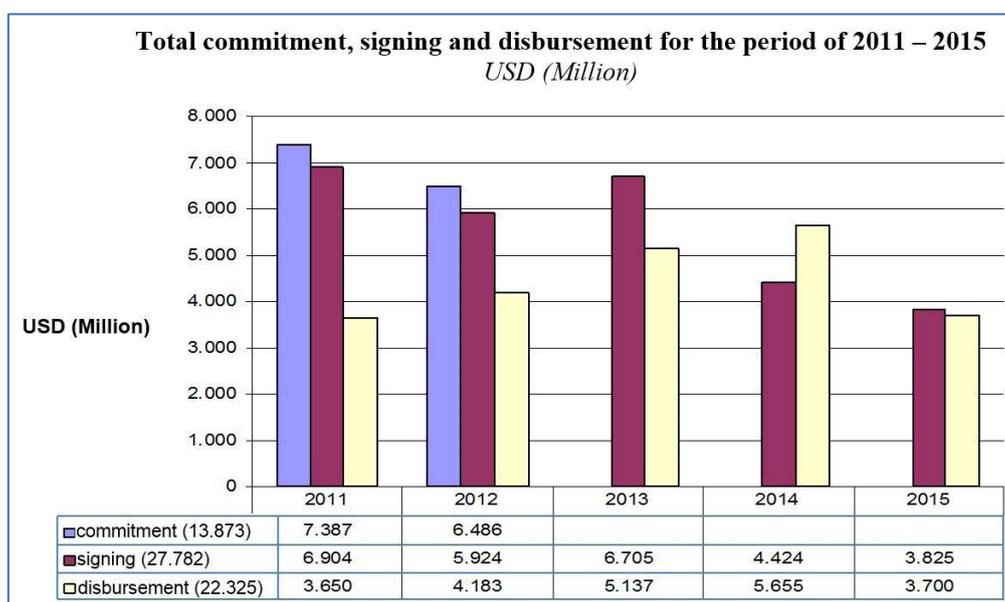


Source: MPI

Secondly, due to the high pressure of public debts, the Vietnam authorities have changed the thinking of quantity into quality, carefully selecting projects using ODA and preferential loans in the direction of ensuring efficient use of capitals and repayment capacity.

Thirdly, the ministries, agencies and localities are not yet ready to access to less favorable loans which are usually applied the domestic financial mechanism in the form of on-lending.

**Figure 6. Committing, signing and disbursing through period of 2011-2015**



*Note: Since 2013, the Conference of the Consultative Group (CG) has been converted to Vietnam Development Partners Forum (VDPF). At the forum, the donors will not give out the committed ODA capitals and preferential loans.*

Source: MPI

*For mechanisms, policies, processes and procedures* still have limitations on the institution of management and use of ODA and preferential loans has not kept up and synchronized with changes in national laws, public investments and changes in the policies of the donors when Vietnam becomes the middle-income country. Some donors apply the new aid models but the guiding documents of the Vietnam ministries and agencies have not promulgated adequately and in time. The system of legal documents of Vietnam related to ODA and preferential loans, particularly in the field of basic construction investment are not comprehensive, not consistent and not suitable with international practices, this causes significant impacts on the implementation and disbursement of these funds. The mobilization of ODA resource and preferential loans are not closely linked to the public debt limit. The establishment of disbursement schedule is not suitable with the implementation of programs and projects under the agreements signed with foreign donors, so the actual disbursement of funds is usually higher than the schedule to balance the State budget leading to the fact that, at the end of the year, the National Assembly has to adjust the budget plan for development investment. Furthermore, due to difference in processes and procedures between Vietnam and donors, in many cases, the project preparation lasts too long and therefore, the initial design becomes unsuitable, leading to the force to adjust the design when the project is implemented, causing the increase of capital and decrease of the investment efficiency.

*For the preparation, organization and implementation:* the executing agencies, project owners, PMUs have not proved their ownership roles in the process of preparation and implementation of programs and projects using ODA capitals and preferential loans. The aid absorption capacity of the country, sectors and localities is still limited, leading to huge amount of ODA capitals and preferential loans undisbursed for programs and projects already signed by the end of 2015, which was nearly 22 billion US dollars. The organization of implementing a number of programs and projects is still inadequate, particularly the preparation of investment, appraisal, approval, selection of contractor, signing of construction contracts, procurement of equipment and consulting services. Many projects have been adjusted to increase investment level. The compensation, immigration and land clearance still remain many problems, leading to delay in construction, increase of loans and decrease of investment efficiency. Moreover, a number of investment projects have not ensured the high sustainability after the investment. The promotion of skills and experiences in implementing ODA projects has not been fully utilized.

*On ensuring counterpart conditions of Vietnam:* The arrangement of counterpart funds does not meet the needs and progress of projects, leading to more problems arising, especially for the component projects, which involved by localities to self-prepare this fund source. A large number of investment projects were significantly delayed because of difficulties in land clearance,

immigration for resettlement. The capacity of the project management unit is mostly weak and non-professional, unsustainable due to the training of project officers is not standardized. The project management personnel often changing, the project supervision and evaluation of the executing agencies and project owners are not regular and inefficient.

*The monitoring and evaluation:* The uniformity, consistency and timeliness of ODA information, the data is not high, affecting the operation of the monitoring system and evaluation of programs and projects using ODA loans and preferential loans; the compliance with the reporting regime is not strict. The monitoring and evaluation have not been interested, paid attention at all levels, especially the project post-evaluation. The results only concentrate on the progress and the degree of completion, but not concentrate on the evaluation of investment efficiency, sustainability and impact on the project society, economy and environment. The social organizations, professionals, the beneficiaries or those affected by the project have not been widely involved in the process of implementation, monitoring and evaluation.

With contents mentioned above, it can be confirmed that, the ODA Proposal of 2011 - 2015 has been successfully implemented, achieving its objectives in order to attract, manage and use ODA capitals and preferential loans, serving the implementation of the 10 year-socio-economic development strategy from 2011 to 2020 and 5 year-socio-economic development plan in period of 2011 to 2015.

#### **4.4. Results and impacts of ODA on the socio-economic development**

The receipt and use of ODA in recent years have been basically evaluated to be effective and cause a positive impact on the socio-economic development and poverty reduction in Vietnam, which are presented in the following aspects:

Firstly, politically, Vietnamese Government has exploited ODA to contribute to effective realization of diversified and multilateral foreign policy and diplomacy of nation to serve the political foreign policy and economic diplomacy. In the last 25 years, the international donor community committed to providing ODA capital even in the years that the global economy fell into stagnation (1997) and serious crisis (2008). This is a vivid evidence for the evaluation mentioned above. In addition, there is also the positive impact when the governments of donor countries committed ODA capitals for Vietnam as they created a reliable environment for foreign investors to pour capitals into Vietnam.

Secondly, in terms of policy, Vietnam has actively exploited the positive aspects of ODA to serve the renewal, restructuring of the economy and building a market economy under the socialist orientation. This becomes obvious when we receive loans and grants together with the policy framework of the international financial institutions (IMF, WB, ADB, etc.) such as the reform of

state enterprises, development of private sector, policies on finance and banking system reform, climate change adaptation etc... but still maintaining the independence, autonomy according to the schedule, flowing the specific circumstances of the country but not relying on "medical prescription" of donors. Some donors, especially the Nordic donors, through ODA programs and projects, spread their views and their models for sensitive fields such as human rights, freedom, democracy and the impact on policy, and institution in this field. However, the Vietnamese Government have used this support to strengthen research capacity, to learn international experience, train skills to develop policies and institutions in line with historical circumstances, specific development conditions and practices of Vietnam.

Thirdly, regarding the economic field, the ODA resource is evaluated to contribute to a positive impact on national socio-economic development, reflecting in the investment and development, although ODA accounts for only about 4% of GDP but it accounts for a significant proportion of the total investment from the State budget. This is very significant in the context of the limited budget allocated for the investment development while the demand for development of socio-economic infrastructure is very big. During the past period, ODA has been present in almost all areas of socio-economic infrastructure. The ODA-funded projects have contributed to economic growth and improved the people's lives, particularly: (i) In the field of agriculture, rural development and poverty reduction, Vietnam has used this capital to build the irrigation systems, channels of level 1, level 2, implementation and upgrading of sea dikes, development of rural infrastructure, etc.; (ii) In the field of electricity, ODA is used to generate the electric source and power grids..; (iii) In the transport sector, ODA has supported the development of road transport networks, railways, waterways, airways and seaports, etc.; (iv) In the education sector, ODA has supported the education through projects of primary education, secondary, high education, university and education for children in difficult circumstances, education program for all people; (v) In the health sector, ODA has supported the construction of provincial hospitals, district and regional hospitals, medical and health care activities for people living in the central region, Central Highlands, and Mekong Delta; (vi) In the urban development field, ODA has supported for urban development and environmental improvement for the cities of Hanoi, Hai Phong, Nam Dinh, Thanh Hoa, Vinh, Dong Hoi, Da Nang, Nha Trang, Ho Chi Minh City, Can Tho, etc. (vii) In the field of developing institution and human capacity building, ODA has supported the resources in studying and building laws and bylaws of many ministries, departments and agencies. Through ODA programs and projects, more advanced technology, skills and management experiences have been transferred; a significant number of students, staff of the authorities of ministries and localities are well-trained and enhanced the knowledge at universities, institutions and training centers abroad.

Fourthly, the effective use of ODA, according to the joint evaluation report of completed projects within the framework of Joint Portfolio Performance Review conferences between the Government's ODA working group and 6 Banks, accounting for 85% of Vietnam's ODA loans *"Vietnam continues to be the country using ODA effectively - the rate of successful projects is very high"*. The contents mentioned above were based on the Project Completion Report (PCR) carried out by development banks and the assessment report and project progress assessment report (PPAR). According PCR results conducted at the end of 2011, only four of the 117 projects (accounting for 3.5%) were evaluated as *"failed"* (PCR); The Project progress assessment report (PPAR) of 35 projects by the end of 2011 showed that 100% of the projects were rated *"successful"* (see detail in Table 11). This is seen as a positive signal as the projects in the recent period are orienting to a complex trend, which are more interdisciplinary, more decentralized, and especially are implemented in a high inflation environment.

**Table 11. Project completion report (PCR) and project progress assessment report (PPAR)**

	ADB	AFD	JICA	KfW	KEXIM	WB
Completed PCR (Project No.)	<b>40</b>	<b>18</b>	<b>20</b>	-		<b>39</b>
<b>Successful (Project No.)</b>	37	17	20	-	7	39
<b>Unsuccessful (Project No.)</b>	3	1	0	-	0	0
On-going PCR (Project No.)	<b>0</b>	<b>6</b>	-	-	<b>0</b>	<b>0</b>
Completed PPAR (Project No.)	<b>10</b>	<b>5</b>	-	<b>11</b>	-	<b>9</b>
<b>Successful (Project No.)</b>	10	4	-	11	-	9
<b>Unsuccessful (Project No.)</b>	0	1	-	-	-	0
On-going PPAR (Project No.)	-	<b>2</b>	-	<b>0</b>	-	0

*Source: Six Development Banks Group*

Also, in recent years, the Ministry of Planning and Investment has hosted, collaborated with Vietnam agencies and JBIC donors (now JICA) to evaluate 11 large-scale investment projects in the field of transportation (roads, airports, ports), power, urban development, communication within the framework of *Joint evaluation with Vietnam and JICA (2007-2010)*. The evaluation results showed the success of ODA investment projects of Japan in Vietnam, specifically among 11 projects, there are 10 projects ranked as *"very satisfactory"* and only one project rated at level of *"satisfactory"* (details is in the Table 12).

**Table 12. Joint evaluation results with Vietnam – Japan (2007-2010)**

Projects	General	Ranking according to criteria
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	ranking	Compliance	Efficiency	Effectiveness, impact	Sustainability
1. Improvement of NH5	B	A	B	A	B
2. Improvement of NH 1A and rehabilitation of bridge	A	A	A	A	B
3. Improvement of rail bridges of HCMC - Hanoi	A	A	A	A	B
4. Southern Coastal region Information system	A	A	B	A	A
5. Power transmission line of 500 KV - Phu My - HCMC	A	A	B	A	A
6. Ham Thuan – Đa Mi hydroelectricity plant	A	A	B	A	A
7. Hanoi drainage system	A	A	B	A	A
8. Tien Sa Port (Da Nang)	A	A	B	A	A
9. Hai Van Tunnel	A	B	A	A	A
10. Tan Son Nhat Airport	A	a (3)	a (3)	a (3)	a (3)
11. Dai Ninh hydroelectricity plant	A	a (3)	b (2)	a (3)	a (3)

*Note: General grade: A (Very satisfactory), B (satisfactory), C (Average), D (Un satisfactory);  
Ranking: a (high), b (average), c (low)*

*Source: Six Development Banks Group*

#### **4.5 Major lessons learnt**

The attraction, management and use of ODA in recent years have achieved very positive results, also revealing the limitations and inadequacies. From the results and shortcomings in the management and use of ODA in recent years, it can be drawn the lessons learned as follows:

**Firstly**, need to raise awareness about the nature of ODA capital with two political and economic sides closely linking with each other, on such basis, to exploit a positive impact on politics and economics of ODA which can be conducive to the development of the country.

This proper awareness is one of the reasons for the success of Vietnam in attracting aids but does not affect the independence and autonomy in the national planning and leadership role on the development process, improving the position of Vietnam in the international arena and the region, expanding the foreign economic relations, especially the attraction of foreign direct investment.

**Secondly**, ODA is the additional resource, having the catalyst for development.

ODA is an important capital source for the development investment with its preeminent feature, which provides the grants or concessional loans (*low interest rate, grace period, repayment period, etc.*), prioritizing in socio-economic infrastructure investment, transferring advanced technology and management skills.

However, considering the economic aspects of a country, ODA only accounts for a small proportion, about 3-4% of Vietnam's GDP. Therefore, this fund cannot be replaced by internal resources and it only has the effect of adding and catalyzing the development process.

In terms of a specific project, ODA can account for about 80% of total investment, but without 20% of counterpart funds of the Vietnam, the project could not be implemented.

In the recent period, there have been cases of delayed projects, with low disbursement rate of ODA. This is partly caused by insufficient awareness on the role of ODA capital. In which, this valuable ODA capital source has not been created necessary conditions to promote its effect, especially in providing the necessary resources for human resources for the successful project implementation.

**Thirdly**, ODA loans and grants are not “free”: 85% of Vietnam's ODA loans are from other countries; and the international financial institutions have been committed by the State and the Government of Vietnam to repay in accordance with conditions stated in the specific international agreements on ODA signed. To receive the non-refundable ODA, Vietnam Government must contribute the counterpart funds in kind or value. Therefore, the use of ODA capital shall always be considered, calculated between the efficiency - cost to ensure the ability to repay the foreign debts and preserve the national prestige.

**Fourthly**, the strong commitment, close guidance and with the participation of the beneficiaries, actual implementation of programs and projects shows the strong commitment of the authorities, the close direction and the broad participation of the people. This is one of the important factors leading to the programs and projects implemented on schedule with high quality, efficiency and sustainability.

In addition, ODA programs and projects can impact directly on the socio-economic development and the beneficiaries of this process are the people. Therefore, mobilizing the participation of citizens, political organizations, social organizations and unions in the process of implementing and

monitoring the implementation process is very important to ensure the success of ODA programs and projects.

***Fifthly***, building the reliable partnership relationship and building in a development cooperation: the relationship between Vietnam and donors in the past period is not simply a party only “giving and a party only “receiving” aids, but it has developed to a partnership relationship based on mutual trust, reliability, and respect, without imposition, promoting and sharing common responsibility and accountability for development results.

The experience in the stage of development during the past time between Vietnam and donors demonstrates that the partnership in development cooperation is the basis to maximize aid effectiveness to support the socio-economic development of Vietnam.

## **CHAPTER 5 CONCLUSION AND RECOMMENDATION**

### **5.1 Conclusion**

It can be said that the great achievements of socio-economic development gained in recent years have consolidated and strengthened Vietnam's position and strength with the vital contribution of ODA resources. With the achievement of most of the objectives set out in the 5 year-socio-economic development Plan from 2011 to 2015, Vietnam has created the necessary foundation and conditions to accomplish the goals set out in the 10 year-socio-economic development strategy in the next period, in which, the averaged economic growth reaches 6.7 to 7%/year, GDP per capita in 2020 will be about 3,200-3,500 dollars. However, in coming time, in addition to the opportunities and advantages, Vietnam has also faced with and overcome the difficulties, challenges on the path of development. The extensive and deep integration process of the country has partly brought the opportunity but on the other part, it has faced with fierce competition, while development economy is not really sustainable, the economy competitiveness and labor productivity is not high.

The development of Vietnam in the future will still require a very huge, particularly requirements of infrastructure development, ensuring the social security, social welfare, improving the lives of people, requiring the greater development of education, health, security defense while Vietnam's resources are very limited. Additionally, there are restrictions on national governance for the economy, constraints on economic structures, institutions, laws, policies and mechanisms which have not yet met the requirements for the international development and integration. In order to accelerate the development, achieving the objectives set out in the 10 year-socio-economic strategy from 2011 to 2020 and to the pass middle income trap, the Vietnamese Government has regulated to mobilize all national and international resources, especially the resources of society, and private sector, with a focus on external investment capital resources such as FDI, especially the ODA resource and concessional loan for the development. However, the ODA is going to be limited for Vietnam, for example the International Development Association (IDA) is the part of the World Bank will stop providing ODA loans with preferential terms (IDA) and instead of that, there will be loans with less favorable conditions (IBRD). Following this trend, the Asian Development Bank can also stop providing loans with preferential conditions (ADF) to switch to loans with less favorable conditions (OCR) will be started on 1<sup>st</sup> January 2019.

To close, the ODA resource plays an essential role into Vietnamese economic in last period 2011-2015. However, the ODA management strategic of Vietnam in the coming time should be revised to adapt with the new context of Global and International Donors Community situation.

## **5.2 Recommendations**

As conclusion mentioned above, the author would like to suggest some recommendations to improve the ODA management more effectively in Vietnam in the next period and required the Government will implement the following policies and groups of resolutions.

Firstly, adjusting the policy and legal framework of the management and use of ODA and concessional loans, to be in line with the changes of legal system and environment of development cooperation by revising the Law on international treaties, Regulation on international agreements and Public Debt Management Law to improve the legal framework related to the attraction, management and the use of ODA and concessional loans; issue new Decree to replace Decree No. 38/2013/ND-CP of the government on the management and the use of ODA and concessional loans and issue the Circular to instruct the implementation of this decree to be in line with Public Investment Law and other related legal documents revised and issued after Constitution 2013; continuing to harmonize the procedures and processes of Vietnam and those of donors, revise legal framework to meet international standards to manage effectively the resources of public investment, including ODA and concessional loans. Relevant ministries and departments are required to review and revise their legal documents related to investment, construction, procurement, financial management etc...

Secondly, taking the ownership and improve coordination in the attraction, management and the use of ODA and concessional loans, as well as develop sustainable partnership with development partners by such as the agencies of Vietnam and development partners are to build sustainable and trustworthy partnership relations, link the aid effectiveness to development effectiveness based on the principles and commitments of Busan declaration on Aid Effectiveness. The effectiveness of partnership groups and cooperative support by sector need to be enhanced and development activities in sectoral and provincial levels need to be linked with those in national level, especially through the Vietnam Development Partnership Forum (VDPF); implementing agencies and project owners are required to take the lead in the project proposal, preparation and implementation. Program/project documents must have high feasibility and effectively contribute to the socio-economic development of the country, sector and region.

Thirdly, continuing to boost the disbursement of ODA and concessional loans for on-going projects and accelerate the preparation of projects for the period beyond 2020. All ministries and levels are required to join hands in resolving the difficulties and obstacles to accelerate the implementation progress and boost the disbursement of projects/programs signed during 2011 – 2015 period. Also, it is required to prepare necessary conditions to sign and implement new projects in the 2016 – 2020 period, where the following actions need to be taken: i) Finalize the organizational structure and

build the capacity for the secretary group of the ODA National Steering Committee to improve the effectiveness of the committee; ii) Improve the organizational structure of key agencies in all levels with the orientation to promote the ownership and proactivity of each ministry, department and province in the management and the use of ODA and concessional loans; iii) Build project management units to be more professional and sustainable, especially build capacity for PMUs in charge of large-scale projects, by: (i) issuing the Circular on the mechanism and management of projects using ODA and concessional loans; (ii) preparing the Proposal on capacity building for project management with professional and sustainable orientation; providing certificates in ODA project management; and (iii) privatizing the training and qualification of project management; iv) Improve the quality of project design and strengthen the monitoring responsibilities of authorized agencies through the appraisal and approval of project documents and project design; v) Guarantee counterpart commitments of Vietnam, especially counterpart resources in human resources, finance, etc. for ODA projects.

Fourthly, Improve the planning of ODA and concessional loans by issuing the Circular on the planning of projects using ODA and concessional loans and integrate this Circular into the medium term and annual public investment plan; Building the capacity for implementing agencies and Project Management Units on the planning of projects using ODA and concessional loans and integrate this plan into the medium term and annual public investment plan.

Fifthly, information about ODA and concessional loans must be made transparent. Implementing levels, especially implementing agencies and project owners, need to be accountable for the receipt and the use of ODA and concessional loans.

Last but not least, the Government should improve the supervision, monitoring and evaluation of the receipt and the use of ODA and concessional loans

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