

MINISTRY OF PLANNING AND INVESTMENT

**QUESTIONS AND
ANSWERS ON HANOI
CORE STATEMENT**

(Working paper)

Hanoi, December 2006

FOREWORD

In the past years, Vietnam has been active in implementing external relations policy of “Vietnam being a friend, reliable partner of countries in international community”, and promoting international and regional cooperation. The country has mobilized a great deal of international assistance for the cause of socio-economic development, hunger eradication and poverty reduction.

In current development period, Vietnam’s strategy is to continue mobilizing ODA while enhancing aid effectiveness and debt service to support the successful implementation of the 5 year socio-economic development plan 2006-2010.

The above mentioned strategy for ODA mobilization and utilization is in line with Paris Declaration on Aid Effectiveness which was endorsed by over 100 aid recipient countries’ delegations, including Vietnam’s as well as donor countries and international organizations.

To implement Paris Declaration in the specific context of Vietnam, the Government and donors worked together to prepare the Hanoi Core Statement on Aid Effectiveness. The Hanoi Core Statement on Aid Effectiveness was approved by the Prime Minister in principle and Ministry of Planning and Investment (MPI) was assigned to coordinate with other line ministries, and localities and donors to implement the Hanoi Core Statement.

This book was written in the form of questions and answers on Hanoi Core Statement for Aid Effectiveness with the purpose of introducing its audience the key contents of the commitments

between Vietnam and international donors in order to improve ODA's effectiveness in supporting the development cause of the country.

We do hope that this book titled "Questions and answers on Hanoi Core Statement" can contribute to raising awareness, changing behaviors for better aid effectiveness and future development of Vietnam.

Hanoi, December 2006

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Questions and Answers on Hanoi Core Statement

Question 1: What is Hanoi Core Statement on Aid Effectiveness? In which context it appears?

Answer: Hanoi Core Statement on Aid Effectiveness (Hanoi Core Statement) is an agreement between Vietnamese Government and donors to cooperate with each other to implement activities in development cooperation field for improvement of aid effectiveness so as to support the implementation of the 5 year Socio-economic Development Plan 2006-2010.

Government of Vietnam and donors have long developed partnership for development in a number of fields and agreed that beside increasing ODA volume to support socio-economic development, the quality and efficiency of this source should also be enhanced. Hanoi Core Statement has been developed as the result of collaboration between Vietnamese Government and donors in the context that Vietnam, as an aid recipient country under a commitment in Paris Declaration, should localize Paris Declaration taking into account its specific conditions: i) Low – income developing country (with GDP per capita in 2005 of about 640 USD); (ii) Country in transition to the market based economy with socialism orientation, under State management and integrating into the world and regional economy broadly and deeply; (iii) Vietnam is receiving aid, but does not fully depend on this assistance (the foreign aids is

estimated to account for about 7% of the total social investment for the 2006-2010 period).

Question 2: Is Paris Declaration a breakthrough step in development cooperation relation between developed countries and developing countries?

Answer: Definitely, over the later half of the last century, development aid has undergone many development stages. In March 2005, more than 100 delegations representing aid recipient countries including Vietnam and aid providing countries and international organizations met at High level Forum on Aid effectiveness in Paris to endorse the Paris Declaration on aid effectiveness. This opened a new page in development cooperation relation between the North and the South.

Paris Declaration on Aid Effectiveness (Paris Declaration) was the first global consensus that aid providing countries and aid recipient countries should develop partnership to make more effective use of ODA and to better support the cause of development and poverty reduction in developing countries.

Question 3: What are objectives of the Paris Declaration on Aid Effectiveness? How to achieve the set objectives?

Answer: Objectives of Paris Declaration on Aid Effectiveness include improving Aid Effectiveness through close cooperation between international donor community and aid recipient countries to implement commitments to change perception and behaviors in providing and utilizing aid, thus reducing transaction costs, gaining higher aid efficiency to contribute to conducting the millennium development goals (MDGs).

To achieve the set objectives, donor countries and international donor organizations and aid recipient countries have agreed in

separated commitments of each party and common commitments about completion of policy, institution as well as process and procedures to gain higher aid efficiency for the cause of development and poverty reduction in poor and developing countries. To monitor implementation process, a system of indicators has being developed to quantify commitments and measure implementation level of the commitments by parties from now to 2010.

Question 4: Roles of Vietnam in the progress of improving aid effectiveness?

Vietnam is one of the biggest ODA recipient countries and has been assessed by various donor countries and international organizations to have effectively utilized aid.

Domestically, Vietnam has cooperated closely with donor community to carry out a number of measures for capacity building in human resource and institutional development, in order to contribute to enhance the effectiveness of ODA management and utilization.

Internationally, Vietnam has participated actively in common efforts to improve aid effectiveness such as International Conference on Aid for Development (Monterey, 2002); Rome Declaration on Harmonization of ODA processes and procedures (Italy, 2003); Marrakech Memorandum on Management for Development Results (Moroco,2004); Asian Regional Workshops on Aid Effectiveness (Hanoi, Vietnam - 2003 and Bangkok, Thailand - 2004, Manila-Philippine - 2006) as well as other regional workshops and international forums on aid effectiveness.

Question 5: What have donors and aid recipient countries been doing since the endorsement of the Paris Declaration on Aid Effectiveness?

Answer: In the process of implementing Paris Declaration, donors have been coordinating with aid recipient countries to firstly focus on communication activities in order to raise awareness on and disseminate Paris Declaration broadly. It is planned that communication strategy on Paris Declaration be approved in February 2007. In May 2006, OECD/DAC conducted a baseline survey for aid recipient countries on the status of implementing commitments and indicators in Paris Declaration.

Results of this global survey will be synthesized in a report on status of implementing commitments and indicators in Paris Declaration against that aid recipient countries and development partners develop Action Plan to implement Paris Declaration. This report is planned to be released in early 2007.

Question 6: Why does the Paris Declaration need to be localized?

Answer: Paris Declaration bears global characteristics, setting international standard commitments and indicators toward 2010 to raise awareness and change behavior in providing and receiving aid.

Aid recipient countries over the world are diverse in history, geographical conditions, level of development, level of dependency on foreign aid and relations with donors, etc. Donors working in different countries need to customize their assistance strategy and policy. Therefore, there is in fact a need to localize commitments on improvement of aid effectiveness in Paris Declaration to suit local conditions of each aid recipient

country, while maintaining the spirit of Paris Declaration and ensuring the feasibility of commitments.

Implementing the committed resolutions in Paris Declaration, Vietnam became the first country that localized Paris Declaration into Hanoi Core Statement, taking into account specific conditions of Vietnam.

Question 7: Why do international community and developing countries focus on improvement of Aid Effectiveness recently?

Answer: In 1999, countries leaders all over the world endorsed Declaration of Millennium Development Goals that clearly set out global objectives for development and poverty reduction. In order to implement this Declaration successfully, international community has agreed to further increase aid level for development. Apart from the increase in quantity, it is vital to improve the quality and efficiency of aid utilization.

Paris Declaration includes resolutions and commitments as well as indicators, based on that donors and aid recipient countries work together to enhance aid effectiveness to contribute to the cause of poverty reduction and development in poor and developing countries.

Question 8: When does Vietnam resume development cooperation relation with donor community? At present, how many donors are operating in Vietnam? What are common policies of donors working in Vietnam?

Answer: Vietnam resumed development cooperation relation with international donor community since November 1993. This

was marked by the Consultative Group meeting for Vietnam that was organized in Paris, France in November 1993.

At present, there are now approximately 50 bilateral and multi-lateral international donors working in Vietnam.

The common policy of donors in Vietnam is to support the implementation of priority development objectives of Vietnamese Government in the fields of economy, society, hunger eradication and poverty reduction, institutional development and human resource development.

However, each donor has its own characteristic in its development assistance policy for Vietnam depending on mutual cooperation relation with Vietnam, the scale of aid as well as prioritized area of aid delivery for each period. In 1993-2005, donors' pledged ODA to Vietnam totaled over USD 32 billion USD.

In addition, there are about 600 International Non-governmental organizations (INGO) that operate in Vietnam providing an estimated annual assistance of approximately USD 100 million.

Question 9: What are Vietnam's directions and policies in mobilizing and utilizing ODA? What are Vietnam's priority areas of ODA mobilization and utilization for the period 2006-2010?

Answer:

Vietnam advocates to "continue making good use of ODA sources; to accelerate disbursement of signed works, projects; to develop Strategic Framework for ODA mobilization and utilization, with focus on technical infrastructure development in key economic zones and difficult areas".

The estimated ODA sources to be disbursed in 2006-2010 could be as high as USD 11 billion, accounting for close to 7% of total Investment capital.

Priority areas for ODA utilization:

- Agricultural and rural development (including agriculture, irrigation, forestry and aquaculture) in combination with hunger eradication and poverty reduction.
- Construction of synchronous and modernized economic infrastructure structure.
- Construction of social infrastructure structure (health, training and education, and some other areas).
- Protection of environment and natural resources.
- Capacity building for human resource and institutional development; technology transfer; research and development.
- Other areas as decided by the Prime Minister.

Question 10: Which international organization coordinates aid policies of governments and multi-lateral organizations in the world? Are Vietnam's policies on ODA mobilization and utilization in line with global aid delivery trend?

Answer: That is OECD – abbreviation of “Organization for Economic Co-operation and Development”, in which the DAC - “Development Assistance Committee” is the agency in charge of initiating and coordinating global aid policies.

The Working Party on Aid Effectiveness is established by OECD/DAC which includes representatives from international organizations and governments of OECD member countries as well as several aid recipient countries. It was the first time that a

clear cooperative mechanism was set up within operation framework of DAC. Up to recent years, DAC was seen as “a club of donors”. This renovation and active participation of the aid recipient countries has promoted positive changes in global aid policy as well as contributed to the birth of the Paris Declaration on Aid Effectiveness.

Government of Vietnam’s policies on ODA mobilization and utilization are in line with the focus of OECD/DAC’s ODA aid policy, including supports for hunger eradication and poverty reduction; growth and ensuring social equity, environmental protection, institution and human resources capacity building, etc.

Question 11: Which are the top ten countries in terms of ODA delivery volume and the ten countries having the highest ODA/GNI rate?

Answer: Current global ODA trend is increasing quantity (from approximately USD 90 billion in 2005 to approximately USD 140 billion by 2010) and increasing importance attached to the improvement of utilization quality. However, this quantitative increase has not met the demand of developing countries in supporting the achievement of MDGs. The below table presents Top ten countries in terms of ODA delivery volume and ten countries having the highest ODA/GNI rate in the world.

Country	ODA (USD bil)	Country	ODA/GNI (%)
1. USA *	19.7	1. Norway	0.87
2. Japan	8.9	2. Denmark	0.85
3. France	8.5	3. Luxembourg	0.83
4. United Kingdom	7.9	4. Sweden	0.78
5. Germany	7.5	5. Netherlands	0.73

6. Netherlands	4.5	6. Portugal	0.63
7. Sweden	2.7	7. France	0.41
8. Canada	2.6	8. Switzerland	0.41
9. Italy	2.5	9. Belgium	0.41
10. Spain	2.4	10. Ireland	0.39

Note: (*) Including 5 billion USD financed by US Government for HIV/AIDS prevention program.

(Source: OECD/DAC, 2004)

Question 12: How are the ODA funds distributed geographically throughout the world?

Answer: Total ODA being delivered to aid recipient countries in the world is approximately USD 77 billion, mainly distributed to Africa (about 34%) and Asia (over 26%), Latin American countries and Caribbean coastal area (about over 13%), former Soviet Union countries and East European countries (near 10%) and Europe (about 5%) and other regions (source: OECD/DAC, 2003).

Current trend is more toward Africa to support this continent in the implementation of MDGs, especially the goals of hunger eradication and poverty reduction.

The G8 leaders Summit (including UK, France, Russia, Germany, USA, Japan, Italy, Canada and European Commission) convened in July 2005 decided to double aid for Africa by 2010 and earmark at least USD 25 billion for Africa in the total additionally increased capital of 50 billion USD each year.

Besides, more ODA sources are needed for reconstructing Iraq, Afghanistan and Lebanon after the war.

Question 13: Is Hanoi Core Statement an International Treaty on ODA? Who in the Government and donor community have approved this document?

Answer: Similar to Paris Declaration, Hanoi Core Statement is an agreement between Vietnamese Government and donor community in Vietnam on cooperation activities to improve aid effectiveness.

Although it is not an international treaty on ODA, Hanoi Core Statement presents a package commitments of Vietnamese Government and donor community on cooperating actions in line with Paris Declaration in order to ensure that aid effectively bring about real benefits to the cause of socio-economic development in Vietnam. This is also the expectation of donor community in Vietnam.

Hanoi Core Statement was endorsed by the participants of Mid-Term CG Meeting of donors for Vietnam on the 2nd and 3rd of June 2005 in Can Tho city. In official document number 1470-TTg/QHQT dated 28th September 2005, The Prime Minister has also approved in principle the Hanoi Core Statement and assigned the Ministry of Planning and Investment to coordinate with ministries, agencies, and localities and donors to implement the commitments and indicators stated in the Hanoi Core Statement, periodically monitor the progress of implementation and report to the Prime Minister.

Question 14: How is the Hanoi Core Statement structured?

Answer: Hanoi Core Statement on Aid Effectiveness includes 03 parts as follows:

- (i) The Vietnamese Government and donors agreed to carry out strategic and monitorable activities to improve aid effectiveness towards MDGs. In order to achieve those

goals, it is necessary to increase both aid volume and aid effectiveness. Based on this, Vietnamese Government and donors decided to concretize commitments stated in the Paris Declaration, taking into account specific conditions of Vietnam into local commitments.

- (ii) Partnership commitments include 28 separated commitments of donors, and Vietnamese Government and common commitments of both sides aiming at raising awareness and changing behavior for better aid effectiveness to support development objectives.
- (iii) Hanoi Core Statement includes 14 indicators defining targets to be achieved by 2010. These indicators are the basis against which Vietnamese Government and donors monitor and evaluate the implementation of Hanoi Core Statement.

Question 15: What are the objectives of Hanoi Core Statement?

Answer: The objectives of Hanoi Core Statement are to develop cooperation between Vietnamese Government and donors and to promote agreements on improving aid effectiveness to support the cause of hunger eradication and poverty reduction, promoting growth, social equity, institutional development, enhancing the capacity of human resources and speeding up realization of the Vietnamese development goals (VDGs).

Hanoi Core Statement reflects strong commitments of the Vietnamese Government in supporting Paris Declaration that supports poor and developing countries in the implementation of national development programs, and UN Millennium Declaration and MDGs.

Question 16: What are the bases to achieve objectives of Hanoi Core Statement?

Answer: The metaphor of Hanoi Core Statement could be imagined as a building with 5 pillars. The building could only be stable if these pillars are solid. In other words, these five pillars are the five key principles based on which the Government and donors cooperate to implement activities to improve aid effectiveness and contribute to the cause of Vietnam's development. The five pillars are:

1. Ownership
2. Alignment with the country system
3. Harmonization and simplification
4. Results-based management
5. Mutual Accountability.

These five pillars are closely related and complement each other. Ownership, alignment with country system in providing and utilizing aid will be achieved on the basis of harmonization and simplification from policy to technical issues between Government and donors. As both donor and recipient country are involved in the process of aid delivery, aid effectiveness should only be improved successfully upon mutual accountability as well as management for development results. In summary, these five pillars are inter-related and integrated in all ODA programs, projects as well as ODA mobilization and utilization activities.

Question 17: Which benefits does Vietnam gain in implementing Paris Declaration and Hanoi Core Statement on Aid Effectiveness?

Answer: Paris Declaration and Hanoi Core Statement on Aid Effectiveness were developed upon mutual interests of donors

and recipient countries. Therefore, the implementation of Paris Declaration and Hanoi Core Statement brings in benefits for both Vietnam and donors.

For Vietnam, as an aid recipient country, the specific benefits gained are as follows:

- ODA is an important additional resource to support Government to successfully achieve prioritized development objectives defined in national, sectoral, provincial and local five year development plans, master plans, plans, and programs.
- Country systems at all levels are strengthened and improved through donors' increasing use of these systems.
- ODA process and procedures of Government and donors are further harmonized and simplified, thus reduce transaction costs, accelerate disbursement progress and improve public investment effectiveness.
- Institutional and human resources capacity are strengthened and developed through the practice of aid coordination, monitoring and evaluation, responsibilities and experiences sharing, lessons learning in the process of ODA program /project implementation.

Question 18: What are Vietnam's advantages, disadvantages and challenges in the implementation of Hanoi Core Statement on Aid Effectiveness?

Answer: Vietnam has a basic advantage that the Government and donor community are committed to cooperate closely in raising awareness, changing behavior and taking concrete actions to enhance aid effectiveness.

Globally, improving aid effectiveness through the implementation of Paris Declaration has now become the focal of North – South development cooperation with the aim to mobilize more resources for the implementation of UN Millennium Declaration and MDGs.

Beside the above mentioned advantages, there have been some difficulties and challenges for Vietnam as follows:

- Different levels of readiness between Government and donors, and different institutional and human resources capacity among different levels are obstacles to the realization of Hanoi Core Statement into reality.
- There has not been specific roadmap and guideline for the implementation of Hanoi Core Statement.

Question 19: How do Donors cooperate with Government to implement Hanoi Core Statement?

Answer: The implementation of Hanoi Core Statement on Aid Effectiveness requires close cooperation among various parties, including Government and donors; within the Government agencies and donor to donor.

Donors have actively participated in the Partnership Group on Aid Effectiveness (PGAE), one activity of which is the development of focused agenda on cooperation to implement Hanoi Core Statement.

Within the framework of PGAE, donors and relevant government agencies have participated in the activities of eight priority thematic groups to work out Quick wins in implementation of Hanoi Core Statement. The eight thematic groups are: ODA on budget; Public financial management; Procurement; EIA; SIA; communication on Hanoi Core Statement; Monitoring and

evaluation of Hanoi Core Statement implementation; and Cost norms in project management.

In addition, donors have been very active in various partnership working groups initiatives such as the International Support Group (ISG) on Agriculture and Rural Development, Forest Sector Support Partnership, Health Sector Support Partnership, etc to pool in common efforts for implementing Hanoi Core Statement.

Donors have also incorporated the contents of Hanoi Core Statement into their own annual policy dialogues on development cooperation with Vietnam.

Question 20: What are the roles of donors' embassies and/or representative offices in Vietnam in the implementation of Hanoi Core Statement?

Answer: It can be said that donors' embassies and/or representatives in Vietnam and Vietnamese Government are co-authors of Hanoi Core Statement. In fact, these agencies have played important role in the implementation of Hanoi Core Statement on Aid Effectiveness.

In addition, donors' embassies and/or representative offices in Vietnam have also provided information and initiatives to policy-making agencies in recipient countries as well as international organizations to contribute to the implementation of Hanoi Core Statement.

A range of enthusiastic, experienced Vietnamese staff who are working for donors' embassies and representative offices in Vietnam also take part in the process of realization of Hanoi Core Statement through aid delivery activities in Vietnam.

Question 21: What is ownership?

Answer: Ownership is exercised when Government takes the lead in the process of mobilizing and utilizing resources, including external resources, to implement their own development program.

The Government actively initiate strategies, master plans, and development programs that donors can align their assistance strategies to. Ownership is a vital factor for the national development process.

Five year plan, Comprehensive Poverty Reduction and Growth Strategy (CPRGS), sectoral and local master plans and target programs are the means for the country to exercise ownership.

Similarly, to fully exercise ownership, Line agencies and ODA beneficiaries should formulate their own development programs as base for resources, including ODA mobilization.

Question 22: Is there “Ownership of donor” in aid delivery?

Answer: In Paris Declaration as well as in Hanoi Core Statement on Aid Effectiveness, donors have acknowledged and been strongly committed to respect the ownership of aid recipient countries.

This commitment is drawn from experiences and lessons learnt from success and failure aid delivering stories over the world. Experiences show that aid is only useful if the beneficiaries own the development process by themselves, and that aid only acts as “a catalyst” to boost development process to bigger scale, better quality, higher efficiency and stability.

“Ownership of donor” only makes sense when the “ownership of aid funds” is closely linked with the “ownership of development

process” of aid recipient country”. This is a decisive factor that is defined in the Paris Declaration and Hanoi Core Statement.

Question 23: How can donors support Vietnam’s ownership in ODA mobilization and utilization?

Answer: For the first time, the Vietnam National Five-year socio-economic development plan 2006-2010, as well as several ministries, sectors and provinces in Vietnam were developed with the wide consultation from donors.

In order to support aid recipient countries to exercise ownership, donors should align their activities to the following:

1. The development and implementation of donor assistance strategies for Vietnam should be based on the five-year SEDP, sectoral, and local master plans and development programs.
2. In the context of Paris Declaration and Hanoi Core Statement, donors should review their policies, processes, procedures and guidelines to eliminate regulations that are conflict with the spirit of these two above mentioned documents. Donors can also work out a roadmap towards replacing those conflicting papers by new ones that suit better the commitments made and disclose this roadmap to the Vietnamese Government and partners.
3. Donors attach importance to building capacity for their development partners as well as their own staff.
 - a. Capacity building for development partners could be in the form of institutional development such as regulation formulation and enforcement, especially after Vietnam became the 150th member of WTO, and human resources

development to ensure effective management of development process at all levels.

- b. Capacity building for donors' staff could be in the form of wide dissemination of Paris Declaration and Hanoi Core Statement. This can in turn change behavior. Communication and capacity building activities should cover all levels of staff, from policy to technical ones, from front desk to back officers, from policy makers to aid delivery practitioners. Besides, compliance with principles of Paris Declaration and Hanoi Core Statement should be included in the TORs and performance assessment indicators of senior officers, staff and consultants working for donor organizations.

Question 24: In fact, there have been cases where donors use ODA as a means to “drive” the recipients. Then, how to exercise ownership in these cases?

Answer: To exercise ownership, attention should be paid to the following issues:

- All aid proposal should be based on demand within framework of Government and the Line agency's development program (master plan, program, etc). Beneficiaries should define and display ownership and leadership right in the process of formulating concept, defining objectives, contents and expected outcomes of the proposed project.
- ODA beneficiaries and implementing units should be fully aware that ODA is complementary not supplementary to internal resources.
- Consideration should be taken with regard to the source of funds requested to make sure that ODA is

the optimal option. If necessary, aid could not be accepted if signs of ineffectiveness are shown.

- Using partnership commitments and commitments to respect ownership of recipient country stated in Paris Declaration and Hanoi Core Statement as the tools to negotiate with donors.
- Recipient countries and long term beneficiaries should be proactive in the implementation process of ODA programs, projects, rather than dependent on donors.

Question 25: Alignment with the country system is the second pillar of the Hanoi Core Statement on Aid Effectiveness. What are the implications of this pillar?

Answer: The country system for ODA mobilization and utilization includes development strategies, socio-economic development master plans and plans, institutions, management processes and procedures of ODA recipient country.

Alignment with the country system means that donors are committed to deliver aid through the recipient country's system rather than restricting to their own procedures and processes. ODA will only contribute to strengthening and completing country system rather than replacing or damaging this system.

When align with the Vietnamese country system, donors take the country Five-year socio-economic development plan 2006-2010 as a framework to develop their national assistance program, making use as much as possible of the Vietnamese Government's procedures, processes and system.

Alignment with the country system should be applied to not only new aid modalities such as general budget support, sector

budget support but also traditional aid modalities such as projects.

Donors' alignment with the country system through step-by-step using national processes, procedures, especially in basic areas such as public management (including budgeting, preparing financial report, auditing and procurement for ODA programs/projects) will help the Government to fulfill their commitments with donors to strengthen country system towards international standards.

Question 26: What indicators alignment with the country system is monitored against? And what are the indicators by 2010?

Answer: Donors and Government are committed to achieve the following indicators by 2010 for alignment with the country system:

- All donors' assistance strategies for Vietnam are aligned to the development strategies of the whole country, sectors and localities, etc.
- No parallel ODA PMUs.
- 100% technical assistance programs for strengthening capacity are led and coordinated by the Government.
- At least 50% of aid flows and at least 50% of donors channeling at least 50% of their funds through the country systems such as procurement, public financial management.
- 75% of aid disbursed on schedule.
- 100% of EIAs and SIAs under ODA projects implemented according to international standards and at least 30% of these carried out through the Government's systems.

Question 27: How to persuade donors to align with the country system?

Answer: To ensure donors' alignment with the country system as targeted in Hanoi Core Statement, the Government are strongly committed to strengthen institutional capacity and relevant country systems at all levels toward clear, transparent, public, monitorable standards. Examples of Government systems to be strengthened include public financial management, procurement management, social and environment impact evaluation for programs, projects, etc.

New aid modalities such as program based approach, budget support should be promoted. In such modalities, donors are encouraged to comply with the country system in the management and implementation of cooperation activities.

For all aid modalities, including project-based modality, it is the role of the Government to encourage donors to gradually use country system in line with the spirit of Hanoi Core Statement.

Question 28: There is a view that the extent of donor's alignment with the country system depends on the completion of the government system, is it correct?

Answer: In fact, indicators of donor's alignment with the country system by 2010 are not 100%. For example, by 2010, it is indicated that about 50% of aid flows and 50% of donors providing 50% of their funds through country systems. This means that the extent of donors' alignment is correlated with the level of improvement in Government system.

However, completion of the country system is a process that can not be done over night. Some donors have been pioneering alignment with the current management system of the Government. The budget support to Government's Program 135 provided by the DFID-UK is a typical example. In which budget

support, the donor has fully aligned with the government system, and at the same time, agreed with government agencies on measures to improve capacity of the system.

Question 29: Each donor has their own policies, procedures, processes in providing aid globally. Is this barrier to donors' alignment with the recipient country systems?

Answer: In the context of Vietnam's integration to global economy, Vietnam's country systems such as public financial management, procurement, EIA and SIA, etc are gradually advancing toward the region and the world.

In order to implement Paris Declaration on Aid Effectiveness, donors are committed to simplify procedures and processes of providing aid toward global best practices.

The above mentioned two trends will dissolve barriers for donors' alignment with the country systems of Vietnam in providing ODA. As mentioned above, in the context of Paris Declaration and Hanoi Core Statement, donors should review their policies, processes, procedures and guidelines to gradually eliminate regulations conflicting with the spirit of the two above mentioned documents.

In practice, in Vietnam, several donors have been pioneering alignment with the national management systems such as the Like Minded Donors Group in supporting CCBP technical assistance project, DFID in supporting Program 135 and in their ten-year commitment to provide 70 % ODA in the form of budget support; WB and some of other donors have been co-financing for PRSC, "Education for all" program, etc.

Question 30: Which benefits can donors gain in aligning with country system?

Answer: Despite the challenges and risks involved, alignment with country system could bring in the following benefits:

Firstly, alignment with country system helps reduce procedures and shorten processes that in many cases are key causes for delay in providing aid to the beneficiaries, including the poor who need help. As a result, transaction costs are reduced, disbursement and implementation progress are accelerated.

Secondly, donors can identify weaknesses of the systems during the alignment process, thus, could provide timely support to strengthening national management systems for sustainable development of the recipient country.

Thirdly, donors' alignment can help encourage related agencies of the Government for innovation and completion of the national management systems.

Question 31: The third pillar of Hanoi Core Statement is about harmonization and simplification, what are its implications?

Answer: One of the causes for high aid delivery transaction costs, prolonged time to prepare and implement ODA projects, programs which have led to low aid effectiveness is the lack of harmonization in ODA processes and procedures between the Government and donors, and among donors. In addition, ODA processes and procedures of both Government and donors are complicated.

In order to overcome the above mentioned shortcomings, there have been commitments between Government and donors and among donors on co-use of diagnostic review and research documents in the aid areas such as Public expenditure review

(PER), Country procurement assessment report (CPAR), etc. In addition, donors are encouraged to harmonize and simplify their procedures, increasingly use of program base approach and new aid modalities with simplified procedures. Donors are also encouraged to delegate to their in-country representative offices in Vietnam for timely solutions to problems encountered during the implementation of ODA programs, projects.

Question 32: What are indicators on harmonization and simplification to be achieved by 2010 which have been set by the Government and donors?

Answer: The Government and donors are committed to achieve the following indicators by 2010:

- Core diagnostic and country analytical reviews used by all donors; 75% of country analytical reviews used by at least two or more donors.
- Management tools agreed and co-used throughout the project/program cycle by at least 50% of donors (making plan, project design, implementation and making report, etc)
- At least 75% of aid volume are channeled through national or sector approach (aid from donors is coordinated in the Government led framework).
- At least 75% of aid interventions are managed at country level.

Question 33: Are there any harmonization and simplification of aid processes and procedures activities going on currently?

Answer: The Government and donors have been conducting a number of activities to implement the Harmonization Action Plan on ODA processes and procedures in Vietnam (V-HAP). This plan will be updated to reflect changes in the environment of ODA implementation.

Preparing harmonized reporting system for ODA programs, projects is one of many specific activities. Harmonized reporting formats have been developed and piloted in ministries, sectors, localities and project management units. The successfully piloted version will be replicated and institutionalized in the Circular guiding the implementation of Decree 131/2006/ND-CP on ODA management and utilization which has newly been issued by the Government.

Besides, a number of 47 donors, who provide almost over 95% of total aid to Vietnam, are now co-users of one reporting tool on ODA sources, namely Development Assistance Database (DAD) Vietnam. This DAD is used by the widest number of donors. This will be the basis for the development of a co-used, unified database for both donors and the Government in producing ODA reports in Vietnam.

Study for common project document format (Feasibility Study Report) for co-use by both donors and Government for appraisal and approval is being conducted. Results of this study may generate a possibility for one stop-shop appraisal (a project could only be appraised by one side, either Government or donor).

Other ODA procedures harmonization, simplification activities are going on among donors' groups. Examples could be

activities of Five development Banks (WB, ADB, JBIC, AFD, KFW); the Like minded donors group (LMDG); among organizations under the UN system (UNDP, UNICEF, UNFPA); EU, etc.

In the context of global integration, the trend of using common standards, including common standards for ODA processes and procedures, is gaining popularity. This is a basic opportunity for the promotion of the harmonization and simplification of ODA processes and procedures.

Question 34: Managing for Results is the fourth pillar of the Hanoi Core Statement. What is the meaning of this pillar?

Answer: Managing for Results is an approach in development management, in which, an assessment framework for development effectiveness towards results with the following features is needed:

- clear definition of expected results;
- indicators for monitoring outcomes and outputs, baseline data, and time-bound targets;
- monitoring and evaluation, strengthening the capacity for this activity;
- use of information for decision-making.
- Linking planning and budgeting with performance of pre-set objectives.

Each indicator is scored based on the following scale, for example:

1. unsatisfactory
2. satisfactory
3. good

4. excellent

Scores are entered to computerized system to give the overall rating score. This overall rating score would be a basis for assessment of an existing results-oriented management.

Ministries, sectors and relevant agencies are cooperating with donors in using results-based evaluation framework to maximize aid effectiveness and to manage the implementation of SEDP as well as sector and local development plans.

Donors link country programmes and resources to achieve results that contribute to, and are assessed by, Government of Vietnam performance assessment frameworks, using agreed indicators in Hanoi Core Statement.

Question 35: Donors are strongly promoting Managing for Results approach. How are they actually applying this approach?

Answer: The 3rd International Round-table on Management for development results is planned to be organized in Hanoi in February 2007 to review the application of results-based management approach in the global scope.

In Vietnam, WB and several other donors are pioneering in the popularization and application of this management for development results approach.

To apply this approach, donors expect Vietnamese side to clearly present during preparation process of development plans and programs the expected development achievements; to organize broad consultation and open dialogues with related individuals, groups and organizations; to apply information technology in analysis and assessment of real situation; to set up a system of indicators for monitoring and evaluation.

ADB and several other donors are cooperating with the Government to develop a system for monitoring and evaluation of the implementation of the Five-year Socio-economic development plan 2006-2010 (SEDP) using Managing for results approach.

Question 36: The fifth pillar is mutual accountability. How to understand it in the context of development aid?

Answer: In the current context of globalization and integration, mutual dependency among countries and economies, regardless of development status is an obvious trend.

Through development aid, donors share resources for the development of poor and developing countries and also for their own benefits in many global issues such as environment, diseases, security, etc. In each specific aid activity, there are clear roles for both sides: aid provider and aid receiver. Behaviors of either side could have direct impacts on whether aid is provided or used effectively. Therefore, the responsibility for improving aid effectiveness should be shared by both recipient countries and donation countries and/or international organizations.

In order to share mutual accountability, The Government of Vietnam and donors jointly assess, and carry out annual independent reviews, on progress in implementing agreed commitments on aid effectiveness and improved development outcomes through existing and increasingly objective country level mechanisms .

Donors provide timely, transparent and comprehensive information on aid flows and programme intentions to enable Government of Vietnam to present comprehensive budget

reports to legislatures and citizens, and co-ordinate aid more effectively.

Question 37: How is donors' accountability presented?

Answer: Paris Declaration and Hanoi Core Statement stated commitments of donors and aid recipient countries on mutual accountability for ODA; therefore, accountability means obligations of both sides.

An ODA program, project prepared with clear contents, unified and transparent budget frame for both sides; specific arrangements of responsibilities with a system of indicators for monitoring and evaluation of project implementation, etc. All of them are the bases for strengthened mutual accountability of the Government and donors.

Donors' accountability may also be enhanced by conducting independent, cross evaluation on ODA programs, projects among donors on voluntary basis. Disclosing and sharing of these evaluation results and findings could also contribute to strengthening accountability of all related parties.

Question 38: What is the progress of implementing Hanoi Core Statement over the past?

Answer: Over the past, Hanoi Core Statement has been implemented rather actively with focus on: (i) carrying out communication activities to raising awareness, (ii) Conducting baseline survey on Hanoi Core Statement for Vietnamese agencies and donors operating in Vietnam and (iii) Performing activities to gain Quick Wins.

The Communication Strategy has been approved by the Partnership group on aid effectiveness (PGAE) and now being implemented. A number of workshops in three regions were organized to enhance awareness of Hanoi Core Statement for

aid beneficiaries and management. Various communication tools for Hanoi Core Statement are established for use such as a film introducing an application of Hanoi Core Statement in supporting implementation of program 135 in Hoa Binh province to be broadcasted on TV; leaflets introducing the Hanoi Core Statement, workshops and conferences, etc.

A framework of monitoring and evaluation for implementation of Hanoi Core Statement has been proposed. Three baseline surveys for donors, Government agencies on Hanoi Core Statement have been conducted, the results of which will contribute to building up Action plan for implementation of the Hanoi Core Statement, at the same time providing inputs for OECD/DAC to prepare a report on implementation status of Paris Declaration in countries.

Within the framework of PGAE, different thematic groups working on Quick wins for the implementation of Hanoi Core Statement in Public financial management, Procurement, ODA on budget, Environment Impacts Analysis, Social Impacts Analysis, Monitoring and evaluation, etc have been established and operated actively.

Question 39: What are the roles of communication on Hanoi Core Statement?

Answer: Communication plays an important role in raising awareness of Hanoi Core Statement, changing aid behavior and maximizing efficiency of using these resources.

Communication on Hanoi Core Statement will help to:

- Disseminate, exchange viewpoints about concepts, contents and significances and benefits of Hanoi Core Statement with agencies relating to ODA mobilization and utilization.

- Further strengthen agreements among stakeholders on commitments and objectives set forth for the improvement of aid effectiveness.
- Promote open dialogues among relevant agencies on how to implement the Hanoi Core Statement.
- Share experiences and lessons drawn in the process of Hanoi Core Statement implementation.

Question 40: Should Donors prepare their action plans to implement Hanoi Core Statement?

Answer: Hanoi Core Statement set forth indicators to be achieved by 2010. The implementation of committed indicators for improvement of aid effectiveness is a process; therefore, it is best if donors could prepare their own plans to achieve indicators within specific time frame. It is useful if these plans are shared with the Government and among donors and integrated in Government's Action Plan to implement Hanoi Core Statement. This could ensure that Hanoi Core Statement is implemented in reality.

Question 41: How to monitor and evaluate the implementation of Hanoi Core Statement on Aid Effectiveness?

Answer: One requirement of Paris Declaration and Hanoi Core Statement is that commitments of parties should be "measurable".

Within framework of PGAE, a framework for monitoring and evaluation of the implementation status of Hanoi Core Statement on Aid Effectiveness has been set up and approved.

Monitoring and evaluation includes activities of regular and periodical supervision and assessment of implementation

progress and results of commitments and indicators. This activity is conducted in cooperation with periodically independent evaluation missions.

PGAE Group regularly and periodically monitors the progress of implementing Hanoi Core Statement and updates to Annual and Mid-term Consultative Group Meetings (CGs) to supervise and make necessary “interventions” to ensure the progress and quality of realizing HCS’s commitments. Besides, an independent evaluation mechanism will be conducted according to unified methodology of OECD/DAC with support from interested donors.

Baseline survey on indicators of Hanoi Core Statement is a popular tool to evaluate implementation status of Hanoi Core Statement at defined time. Analysis of survey results is done with assistance of information technology.

Development Assistance Database (DAD), which is currently updated online by donors, will be a reliable source of information for the monitoring and evaluation of ODA in general and of Hanoi Core Statement on aid effectiveness in particular.

Question 42: What are the findings of baseline survey for donors and Vietnamese Government agencies on the implementation of Hanoi Core Statement so far?

Answer: Recently, Ministry of Planning and Investment conducted baseline survey on indicators of Hanoi Core Statement with participation of 33 donors (providing over 95% of total ODA) and 24 Government agencies representing ODA management levels. The objective of the baseline survey is to provide an overall picture of the status of implementing Hanoi Core Statement. A set of basic quantitative indicators (for 2005)

have been identified. Survey results show that the gap between Hanoi Core Statement and aid practice in Vietnam is not small. Results also show that staff in the Government agencies as well as in aid offices are not fully aware of the spirit of Hanoi Core Statement. This is a big challenge for the implementation of Hanoi Core Statement that requires great communication efforts.

Discrepancies in donors and Government's data show the gap in the two ODA reporting systems and the necessity to strengthen dialogues between the Government and donors in order to unify awareness and change behavior in ODA utilization and management.

Various recommendations have been collected from the baseline survey. Examples include completion of legal system on ODA management, strengthening ODA coordination, cooperating activities among development partners, developing action plans and guidance for the implementation of Hanoi Core Statement across sectors and levels of authority.

Question 43: How to incorporate Hanoi Core Statement in Vietnam-donor development cooperation programs?

Answer: Although not an international treaty on ODA, Hanoi Core Statement is a high-level commitment between the Government and donors. Therefore, incorporating commitments on improvement of aid effectiveness in development cooperation programs is the common responsibility of both sides.

Development cooperation programs commonly agreed between the Vietnamese Government and donors or donors' separate aid programs should incorporate the requirement of improving Aid Effectiveness which is the spirit of Hanoi Core Statement. These programs should concretize the objectives and implementation

roadmap stated in Hanoi Core Statement. For example defining whether budget support approach could be taken, selecting harmonized and simplified ODA processes and procedures.

Assessment on the Implementation of Hanoi Core Statement of both sides and recommendations should be an Agenda Item in the Annual or biannual High-level Consultative Conference on Development Cooperation.

Question 44: How to mobilize involvement of donors, ministries, agencies and beneficiaries in the implementation of Hanoi Core Statement?

Answer: In order to implement commitments on aid effectiveness in reality, co-ordination of the “four parties”: ODA state management agency, Line Agency, beneficiary unit and donor is needed.

Of these “four parties”, ODA state management agency and donor has reached agreements on various policies and commitments on improvement of aid effectiveness. Thus, the implementation of these commitments in reality depends much on the other “two parties”, i.e. the line agency and the beneficiaries.

ODA State management agencies and donors should cooperate with each other to create favorable environment (institution, policy, procedure and human capacity) to support line agencies and beneficiaries in the implementation of Hanoi Core Statement.

Line agencies and beneficiaries should raise awareness among themselves on Hanoi Core Statement and integrate Hanoi Core Statement into regular ODA mobilization and utilization activities.

Question 45: How to integrate ODA sources into the planning and implementation of Government annual budget?

Answer: The special characteristic of ODA source is that committed capital is not directly transferred to the budget of beneficiary all in one time but disbursed over the period of implementing specific programs, projects (except for budget supports).

Incorporating ODA disbursement plan in Government's annual plan may be a good way to record ODA on budget. At the Central Government level, ODA disbursement plan is collated from Line agencies and localities' disbursement plans for ODA and Counterpart funds. The planned disbursement level is calculated taking into account total national investment sources and annual revenue and expenditure of the State.

Ministries and localities prepare their disbursement plans by consolidating disbursement plans of their ODA programs and projects and balancing with their annual budget plan.

Enhancing accuracy and quality of ODA disbursement plans at all levels and donors' commitments on disclosing accurate ODA estimates could help recording ODA on budget.

Question 46: At the national level, how to mainstream Hanoi Core Statement in national institutional development programs?

Answer: Commitments in Hanoi Core Statement are directly related to institutional development programs, especially in public investment programs. For example, commitments of the Government in Hanoi Core Statement on allocating adequate resources to support and maintain reform program, strengthening capacity in the fields of procurement and public financial management are in line with Government's direction and strategies in these fields. Mainstreaming Hanoi Core Statement on Aid Effectiveness in development program is thus a "vital" requirement to ensure that Hanoi Core Statement is alive in reality.

Line agencies, ODA beneficiaries should mainstream Hanoi Core Statement into their regular reform programs (such as administrative reform program).

Question 47: Are there any international events to promote the process of implementing Paris Declaration and Hanoi Core Statement on Aid Effectiveness in the near future?

Answer: In 2008, the 2nd High-level forum on aid effectiveness will be held in Ghana, one of African nations with noted results on cooperation with nations and international organizations for aid effectiveness.

Before this Forum, a series of international and regional workshops relating to Paris Declaration will be held such as Sahara Sub-Regional Meeting, Regional Meetings in Asia, Latin

America and Caribbean, the 3rd Roundtable on Management for Development Results (MfDR) to be held in Hanoi, Vietnam (in February 2007),etc.

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