

PRIME MINISTER

SOCIALIST REPUBLIC OF VIETNAM
Independence - Freedom - Happiness

No: 290/2006/QĐ-TTg

Hanoi, 29th December 2006

DECISION

**On the approval of Official Development Assistance (ODA)
Strategic Framework for the period of 2006 - 2010**

PRIME MINISTER

Pursuant to the Law on Government Organization dated 25th December 2001;
Pursuant to Decree No 131/2006/ND-CP dated 9th November 2006 of the
Government on the management and utilization of Official Development
Assistance (ODA);

At the request of the Minister of Ministry of Planning and Investment,

DECIDE:

Article 1. Approve the ODA Strategic Framework for the period 2006-2010
(promulgated together with this Decision).

Article 2. Ministry of Planning and Investment shall submit to the Prime
Minister the Action plan to implement this ODA Strategic Framework within 3 months
from the date this Decision takes effect.

Article 3. This Decision takes effect 15 days after its publication in the Official
Gazette.

Article 4: Ministers, Head of Ministerial-level agencies, Government's agencies,
Chairmen of People's Committees of provinces and cities shall have to implement this
Decision./.

Recipients:

- Central Committee for Communist Party;
- Prime Minister, Deputy Prime Ministers;
- Ministries, Ministerial equivalent agencies, Governmental agencies;
- Office of Anti-Corruption National Steering Committee;
- People's Councils, People's Committees of provinces, and cities;
- Central Office and Committees of the Communist Party;
- President's Office;
- People's council and Committees of the National Assembly;
- The office of the National Assembly;
- Supreme Prosecution Institution;
- People's Supreme Court;
- State Audit;
- Management Unit of Bo Y International Border Economic Zone;
- Central office of mass organizations;
- National Administration Academy;
- Government Office: Minister, Chairman, Vice Chairmen,
Government websites, 112 Board, Prime Minister's spokesperson,
Departments, Bureaus, affiliates, Official Gazette;
- Filing: Admin, International Relations (5 copies), Hoa (320 copies).

PRIME MINISTER

Signed

Nguyen Tan Dung

PRIME MINISTER

SOCIALIST REPUBLIC OF VIETNAM

Independence- Freedom-Happiness

**STRATEGIC FRAMEWORK FOR OFFICIAL DEVELOPMENT
ASSISTANCE MOBILIZATION AND UTILIZATION 2006 - 2010**

(Promulgated together with the Prime Minister's Decision

No.290 /2006/QĐ-TTg dated 29th December 2006)

PREFACE

The Communist Party and the Vietnamese Government encourage the mobilization of all sources of funds (internal and external) to implement the objectives and targets set out in the Socio-Economic Development Plan (SEDP) 2006-2010 approved by the 10th tenure of the Central Party Congress (April 2006) and the National assembly (XI tenure, 9th meeting).

The Strategic Framework for ODA mobilization and utilization 2006-2010 sets out strategies and measures for effective mobilization, allocation, management and utilization of this important resource in order to contribute to the successful implementation of the SEDP 2006-2010. This Strategic Framework has been developed on the basis of:

1. Socio-economic development plan for the 5 year period 2006-2010;
2. Government Decree 131/2006/ND-CP dated 9 November 2006 promulgating regulations on the management and utilization of ODA;
3. Review of the mobilization and utilization of ODA in 2001-2005;
4. Hanoi Core Statement on Aid effectiveness;
5. Strategies for foreign debt management up to 2010;
6. Results of the survey of indicative ODA commitments to Vietnam to support the implementation of the SEDP 2006-2010 and comprehensive continuation of socio-economic reform in Vietnam.

I. GLOBAL ODA TRENDS

At the International Conference for Financing for Development (held in Monterrey, Mexico in March 2002), the international donor community committed to increase ODA supply to poor countries to implement the Millennium Declarations and achieve the Millennium Development Goals (MDGs).

The global trend in ODA supply is increasing in quantity (from approximately USD90 billion in 2005 to an estimated USD150 billion in 2010) and increasing requirements for aid effectiveness.

However, ODA as a proportion of average GDP in developed countries is currently at 0.39%, way behind the target of 0.7% that the United Nations calls for. According to OECD's 2005 Development Report, Norway, Denmark, Luxembourg, Sweden and Netherlands are among countries that meet and exceed this 0.7% target.

In order to strengthen development assistance, donors and recipient countries committed to the "Paris Declaration on Aid Effectiveness" (March 2005). The Paris Declaration has been localized with the Hanoi Core Statement on Aid Effectiveness which was approved by the Mid-term Consultative Group Meeting (June 2005) (by consent) and by the Prime Minister of Vietnam (in principle) (September 2005).

II. REVIEW OF ODA MOBILIZATION AND UTILIZATION 2001-2005

1. ODA pledges, signed agreements, disbursements

During 2001-2005, Vietnam achieved significant results in social and economic development as well as foreign economic relations.

In development cooperation, a total of USD14.9 billion¹ of ODA was pledged to Vietnam by international donors. Of these pledges, USD11.2 billion was translated into formal agreements. Eighty percent of commitments took the form of loans at concessional rates.

During the same period, USD7.9 billion was disbursed, accounting for 88% of the USD9 billion target set out by the 9th tenure Communist Party Congress.

2. Impressive impacts of ODA on the socio-economic development of Vietnam in 2001-2005

The Government and the Communist Party are pleased about the general effectiveness of ODA mobilization and utilization in the past 5-year period. Donors have also recognized Vietnam's being among countries that have effective utilization of ODA.

¹ Since 1993, international donors have pledged 32.53 billion USD, 22.6 billion USD of which has been signed in formal agreements and 15.9 billion USD of which disbursed

In the past 5-year period, ODA has made the following contributions:

a. ODA has contributed to the implementation of Vietnam's foreign relations policies.

Through ODA projects and programs in Vietnam, the Government and people of ODA donor countries and international organizations have got to know and support Vietnamese Communist Party and Government's appropriate policies for social and economic development.

There are now about 50 bilateral and multilateral donors that deliver ODA in prioritized development areas of Vietnam. They are :

- **Bilateral donors:** Australia, Austria, Belgium, Canada, China, Czech Republic, Denmark, Finland, Germany, Great Britain, Hungary, Iceland, Italy, Japan, Korea, Kuwait, Luxembourg, Netherlands, New Zealand, Norway, Poland, Singapore, Spain, Sweden, Switzerland, Thailand, United States.
- **Multilateral donors** include:

Development Banks and Funds: World Bank (WB), International Monetary Fund (IMF), Asian Development Bank (ADB), Nordic Investment Bank (NIB), Nordic Development Fund (NDF), Oil and Petroleum Exporting Countries Funds for International Development (OFID - previously OPEC).

International Organizations: European Commission (EC), UN Refugee Agency (UNHCR), United Nations Population Fund (UNFPA), United Nations Industrial Development Organization (UNIDO), United Nations Development Program (UNDP), The Joint United Nations Program on HIV/AIDS (UNAIDS), United Nations Office on Drug and Crime (UNODC), United Nations Capital Development Fund (UNCDF), Global Environment Facility (GEF), United Nations Children's Fund (UNICEF), International Fund for Agricultural Development (IFAD), United Nations Educational, Scientific, Cultural Organization (UNESCO), International Labor Organization (ILO), Food and Agriculture Organization (FAO), World Health Organization (WHO).

b. ODA is a significant source of funds for investment and development.

In the 5 year plan 2001-2005, ODA accounted for about 11 percent of total investments, and 17 percent of total Government budgets. ODA utilization structure by sector is illustrated in Table 1 below.

In the area of *agriculture and rural development*, ODA has significantly contributed to the development of irrigation systems, rural electrification, access to schools and health stations, rural roads, water supply, rural micro-credit facilities, integrated rural development and poverty reduction.

Thanks to ODA funds, development has been made in the energy sector including increased power generation capacity; renovated and expanded national power transmission and distribution network including rural electricity network. Industrial projects funded by ODA have helped generate employment for some localities.

Table 1. Distribution of ODA Signed Agreements and Disbursements in 2001-2005
(USD million)

Sector	Signed ODA Agreements 2001-2005		ODA Disbursements 2001-2005	
	Total	(%)	Total	Total
1.Agriculture, irrigation, forestry, agriculture, poverty reduction and rural development	1,818	16%	1,641	21%
2. Energy and Industries	1,802	16%	1,375	17%
3.Transportation, Telecommunication, Water supply and Urban development	3,801	34%	2,559	32%
Transportation, telecommunication	2,753	25%	2,040	25%
Water supply and urban development	1,048	9%	519	7%
4. Health care, education and training, environment, science and technology and others	3,785	34%	2,332	30%
Health care, education and training	1,171	11%	554	7%
Environment, science and technology	351	3%	361	5%
Others	2,263	20%	1,417	18%
Total	11,206	100%	7,907	100%

In the *transport and Telecommunication* sector, ODA has contributed to the upgrade and development of technical infrastructure, and improvement of services. The railway, inland and waterway systems, ports, airways, and telecommunication infrastructure have seen significant development.

In *education and training* sector, ODA funds were utilized for infrastructure development, and capacity building for the teaching and learning at all levels (primary, secondary, tertiary, vocational education); updating textbooks and secondary school teaching curriculum; teachers training; sending students to pursue studies overseas; strengthening capacities in policies formulation and sector development.

In the *health care* sector, ODA was used to strengthen infrastructure for medical examination and treatment, step up family planning activities, prevent HIV/AIDS and other infectious diseases, train medical cadres, assist in policy building and improve health system management.

In the environment sector, ODA was utilized to help protect and improve the living environment through activities such as planting forests, water resources management, water supply and drainage, as well as solid waste and waste water management systems in most big cities, provincial towns, industrial zones and populous areas.

c. ODA contributed to Transfer of Valuable Technical, Managerial and Institutional Experiences, strengthening institutional capacity and human resources development:

ODA supported, in both financial and technical terms, the finalization and development of various important laws, including the Enterprise Law, Land Law, Commercial Law, Investment Law, Procurement Law, Competition Law, and Anti-corruption Law, and other legal documents. ODA-financed projects also contributed to the transfer of technical, managerial and institutional experiences. ODA has helped trained a large number of people domestic and overseas, contributing to human resources development at all levels.

d. ODA contributed to socio-economic development in localities. ODA has contributed to the socio-economic development and poverty reduction of various localities, especially poor, remote and ethnic minorities populated provinces, in terms of investments in small-scale infrastructure development (water supply, roads, electricity stations and networks, telephones, schools, etc.), as well as agriculture, forestry, irrigation and fishery development. According to MPI data, average signed ODA value per capita in 2001-2005 in the Northern Mountains was USD33.98, Red River Delta USD18.42, Northern Central and Central Coast USD52.46, Central Highland USD21.86, South Eastern of South region USD25.4, and Mekong Delta USD11.19.

3. Short-Comings in ODA Mobilization and Utilization

The following short-comings remain in relation to ODA mobilization and utilization in Vietnam:

a. Limited awareness and understanding on the nature of ODA

In the mobilization and utilization of ODA in the past, awareness and understanding about the nature of ODA have not always been accurate and complete. Perceptions are made that ODA grant is free and the burden for repayment of ODA loans is with the Government. This incorrect perception has led to ineffectiveness in the implementation of several ODA projects and programs.

b. Directions, strategies and policies for ODA mobilization and utilization are slow to be materialized.

Although directions, strategies, and policies for ODA mobilization and utilization are in place at macro levels, Ministries and localities are slow and passive in translating them into detailed projects and programs. Ownership in cooperation with donors has been weak.

The co-ordination between ODA funds and other sources of funds nationwide as well as region-wide has been weak, which reduces the effectiveness of ODA funds.

c. Bottlenecks in the ODA Legal Framework.

There is inconsistency in the system of legal documents guiding ODA management and utilization. The procedures for ODA mobilization and utilization are neither clear nor transparent. The enforcement of ODA legal documents has not been effective.

Government systems and donors' systems for ODA management have not yet been harmonized, resulting in delays in the implementation of projects, programs, decreasing investment effectiveness and increasing transaction costs.

d. Institutional arrangement and human capacity for ODA management are still weak.

Decentralized organizational structures for the management and utilization of ODA have not met the requirements of the reform in public resources management. ODA project and programs management cadres are still weak in project management, foreign relations and language skills.

ODA Project and program regulations are still weak.

e. Limited Monitoring and Evaluation.

ODA monitoring and evaluation and supervision of PMUs activities have not been accorded appropriate attention and the enforcement of reporting and financial accountability requirements has been weak.

4. Key lessons learnt

Lessons learnt from the practices of ODA mobilization and utilization in 2001-2005 are as follows:

Firstly, *full and accurate awareness on ODA should be promoted*. ODA should be considered as a catalyst, rather than substitute for domestic resources for development at national, sector, local and beneficiary levels. ODA is not "free". Most ODA is in the form of concessional foreign loans which are closely linked with national reputation and responsibility towards international donors community.

Secondly, in order to exercise *Government ownership in the mobilization and utilization of ODA for better effectiveness for development results*, national, sector and regional social-economic development strategies and master plans must be taken into account in order to enhance effectiveness of ODA.

Thirdly, *strong commitments and close guidance of the Government and Participation of Beneficiaries* is key to the effective implementation of ODA project, program, and the prevention of waste, leakages and corrupt practices.

Fourthly, *relationships of trust and partnership with donors* on the basis of mutual trust and accountability in the supply and receipt of ODA funds are prerequisites for the effective utilization and management of ODA.

III. STRATEGIES FOR ODA MOBILIZATION AND UTILIZATION 2006 - 2010

1. Investment funds required for Development 2006-2010

a. Funds demanded for investments for development

In order to implement the SEDP 2006-2010 and to ensure average annual economic growth rate of 7.5-8%, total investment capital in 2005 prices is estimated at VND2,200 thousand billion, equivalent to USD140 billion (USD160 billion in current prices). Out of the total investment capital requirements, it is estimated that national capital accounts for 65% and foreign capital accounts for 35%.

Foreign Direct Investment (FDI) and Official Development Assistance (ODA) play important roles as external capital sources for investment.

b. Expected ODA requirements

In order to balance the external funding sources for investment, ODA needed to be disbursed in 2006-2010 is estimated to be approximately USD11 billion². In order to disburse that amount, total ODA signed agreements need to reach USD19-21 billion³.

2. Forecast of ODA supply 2006-2010

Advantages and challenges in the mobilization and utilization of ODA during 2006-2010 include:

a. Advantages

Vietnam has the following key advantages in continuing mobilizing and utilizing ODA for the implementation of SEDP 2006-2010:

- Stable political conditions; comprehensive social and economic reform strengthened in both breath and depth;
- Continuously high economic growth rate; impressive track record of rapid growth and poverty reduction;
- Active integration into the global and regional economy with the turning point of Vietnam's accession into World Trade Organization (WTO).

b. Challenges

- Demand for ODA from developing countries is increasing significantly while ODA supply is limited;
- Capacity to manage and implement ODA projects and programs has not yet met the requirements for improved aid effectiveness;
- The application of new aid modalities such as program based approach, budget support and other modalities according to Paris Declaration and Hanoi Core

² In 2001-2005, total disbursed ODA was USD 7.9 billion.

³ In 2001 - 2005, total signed ODA was USD14.8 billion

Statement on Aid Effectiveness requires significant reform of Government management systems, especially public resources management.

3. Policies in the mobilization and utilization of ODA in 2006 - 2010

In 2006-2010, the direction for ODA mobilization and utilization is to continue utilizing ODA funds to support the implementation of SEDP 2006-2010 with careful attention made to aid effectiveness and payment capacity.

ODA mobilization and utilization policies include accelerating the disbursement of signed ODA projects and programs to put their outputs into operation and enhance aid effectiveness. At the same time, the focus of this period is to prepare effective and high quality projects that continue after 2010.

In order to implement the above mentioned direction and policies, the following priorities in ODA utilization should be given for ODA projects and programs:

- a) Agriculture and rural development (including agriculture, irrigation, forestry, fishery) in combination with poverty reduction.
- b) Economic infrastructure development toward standardized and modern approach.
- c) Social infrastructure development (health care, education, population development and others..)
- d) Environment and natural resources protection
- e) Institutional capacity and human resources development; Technology transfer, research and development capacity building

In order to ensure aid effectiveness, the Vietnamese government is strongly committed to cooperation with donors to implement the Paris Declaration and the Hanoi Core Statement on Aid Effectiveness.

4. Guiding Principles for ODA Mobilization and Utilization

a. Ensure National Ownership

ODA projects and programs must be mobilized and utilized according to the 5 year national, sector and local socio-development Plans.

Ministries, line agencies, localities and beneficiaries should mainstream ODA projects and programs in their own 5 year socio-economic plans 2006-2010.

b. Use ODA Selectively

It is important to ensure that ODA funds are used selectively and in appropriate combination with other investment sources, taking into consideration socio-economic factors and carefully assessing benefits from transfer of capital resources, knowledge, technology, management skills and international experience. It is important not to spread ODA too thinly, resulting in an unsustainable foreign debt burden for the country.

c. Maximize the effectiveness and widespread impacts of ODA

The decision on how to utilize ODA funds must be based on benefit-cost analysis of projects and programs to ensure that these projects, programs have high effectiveness and maximum widespread impacts which contribute to the development priorities set out in the SEDP 2006-2010.

d. Ensure Broad Participation of Beneficiaries

Participation of project and program beneficiaries in the processes of planning, implementation, monitoring and evaluation help to ensure that the right interventions are selected, that resources are used in an accountable and transparent manner, and that waste and corruption are prevented.

e. Build Strong and Reliable Partnerships with Donor organizations

Building trust, mutual knowledge and respect, promoting open and constructive policy dialogues, strong commitments to anti-corruption efforts, and harmonization of ODA procedures to reduce transaction costs; solving related problems; accelerating disbursement to improve investment effectiveness. It is important to honor and implement all commitments made between the Government and donor organizations, especially the ones in the Hanoi Core Statement on Aid Effectiveness.

5. Donor Policies in providing ODA to Vietnam

Within the framework of the Hanoi Core Statement on Aid effectiveness, donors align their policies to Vietnam's SEDP 2006-2010, the Comprehensive Poverty reduction Growth Strategy (CPRGS), as well as national, sector, local targeted programs to support development goals of high growth, social progress and equity, institutional capacity and human resources development.

In providing ODA to Vietnam, the donor community is committed to work with the Vietnamese Government to improve aid effectiveness through the following 5 pillars:

- a. Respect for country leadership and ownership in the development and implementation of socio-economic development programs;
- b. Alignment to government policies and programs, and commitment to support strengthened, transparent and accountable country systems;
- c. Harmonization and simplification of aid procedures with Government to ensure effective implementation progress and to reduce transaction costs of aid delivery;
- d. Management for development results to implement consistently monitorable measures to meet planned development objectives;
- e. Mutual accountability for development progress in general and ODA projects, programs in particular.

6. Forecast of Pledged, Signed, and Disbursed ODA for 2006-2010

a. Forecast of pledged ODA

From analyses and reviews of global ODA trends, Vietnam's advantages and disadvantages in the mobilization and utilization of ODA in 2006-2010, a stock take of ODA mobilization and utilization in 1993-2005 in combination with results of the February 2006 survey of donors, it is estimated that newly pledged ODA for 2006-2010 could be USD19-21 billion, averaging USD4 billion/year (increasing by 8% compared with pledged ODA in 2005).

b. Forecast of signed ODA

Undisbursed, signed ODA carried forward from 2001-2005 to the next period 2006-2010 is estimated at USD8 billion.

Newly signed ODA in 2006-2010 is estimated to be from USD12.35 billion to USD15.75 billion.

In total, signed ODA for 2006-2010 would range from USD20.35 to 23.75 billion.

According to the results of MPI's donor survey, total signed ODA and expected to be signed ODA in 2006-2010 according to donors was USD23.23 billion, which is very close to the Government's estimates stated above.

c. Estimated disbursed ODA

Total estimated disbursed ODA for 2006-2010 would be from USD11.46 billion to USD12.41 billion.

Table 2. Prioritized structure of signed ODA by Sector 2006-2010

Sector	Structure of disbursed ODA 2001-2005	Prioritized structure of signed ODA 2006-2010	Estimated absolute value of signed ODA (in USD billion)
Agriculture, irrigation, forestry, aquaculture, rural development and poverty reduction	21%	21%	4.27-4.98
Energy & Industry	17%	15%	3.05-3.56
Transportation, Telecom, Water supply and drainage, Urban development	32%	33%	6.72-7.84
Health care, Education & training, Environment, Science & Technology and others	30%	31%	6.31-7.37
Total	100%	100%	20.35-23.75

Calculations using the donors' methodology and results of the donor survey also show estimated disbursed ODA for 2006-2010 of between USD10.9 billion and USD12.3 billion.

These are positive estimates of ODA disbursement to meet the SEDP's ODA requirements of USD11 billion.

7. Prioritized structure of ODA mobilization and utilization by sector and area 2006-2010

a. Prioritized structure by sector

Prioritized structure of ODA utilization by sector is illustrated in the following Table 2:

According to the above Table, compared to 2001-2005, investment in agriculture, irrigation, forestry, aquaculture, rural development and poverty reduction in 2006-2010 continue to be priorities for ODA utilization (21%). Approximately 15% of concessional ODA loans would be used to support the development of electricity networks and distribution stations. The share of ODA for investment in transportation, telecommunications, water supply and drainage and urban development would increase to 33%; Education and Training, Environment, Science and Technology continues with a high proportion of ODA (31%).

b. Prioritized structure by area

In 2006-2010, the Government will cooperate closely with donors to increase direct ODA to localities in prioritized areas, especially poor and difficult areas such as Northern Mountains, Northern and Coast Central, Central Highland and the Mekong Delta.

8. Sector Priorities for ODA Mobilization and Utilization for 2006-2010

a. Agriculture and rural development (including agriculture, irrigation, forestry, fishery) in combination with poverty reduction

Priority for ODA mobilization and utilization should be given to projects and programs that enhance agricultural productivity, provide basic micro rural infrastructure (such as rural transport, drinking water supply, schools, health stations), constructing irrigation systems in combination with natural disaster mitigation, strengthen sustainable natural resources management, creates rural jobs or focus on poverty reduction, capacity building for cadre of all levels, especially district, commune and village levels.

b. Economic infrastructure development toward standardized and modern approach

In Energy, ODA should be utilized to support the power sector, to develop electricity networks (especially rural electricity), as well as the transmission and distribution grid. Priorities are given to renewable sources such as small scale hydro-power stations, wind power, solar power, geothermic power in rural, mountainous, island areas where connection to national electricity grid is not economical.

ODA for industrial production projects should be carefully considered in terms of effectiveness and the responsibility for repaying ODA loans must be clearly defined.

In Transport, ODA is prioritized for the following areas:

- Improving the North - South highway system, main roads of different economic areas, giving priority to Northern mountains, Central Highlands, and Mekong Delta; development of highways, especially in key economic zones; developing traffic corridor routes in Greater Mekong Sub-region (GMS); development of Vietnam - Laos - Cambodia triangle and Vietnam-China two corridors and one economic belt; building major bridges in the North, Centre and South including Cao Lanh and Vam Cong bridges in the Ho Chi Minh Road Project Phase II; developing rural transport, improving district lines of transport, ensuring smooth connection from villages to the commune centers throughout the year; investment in road traffic safety as well as maintenance of roads;
- Upgrading and building railway routes including railway routes for Hanoi-Ho Chi Minh express trains; capacity building for railway management;
- Building deep-water ports including Van Phong port in Khanh Hoa province and Lach Huyen port in Hai Phong city, and ports in the central region;
- Constructing international airports in provinces, cities that are included in the country's master plan for airport system. In the short term, building a modern international airport for Hanoi (T2 international airport terminal), Long Thanh-Bien Hoa, Da Nang (station), Cam Ranh-Khanh Hoa (station) and Phu Quoc- Kien Giang;
- Developing key waterways in the Mekong Delta and Red river Delta.
- Institutional capacity and human resources development in transport, especially transport safety.

In telecommunications, ODA should be utilized only for national telecommunication infrastructure that provides services to all sectors, ensuring competition among enterprises and protection of users. ODA should also be utilized to develop rural telephones.

In water supply and drainage and urban development, ODA should be invested in the construction and gradual modernization of urban infrastructure systems including water supply, drainage, waste water and solid waste collection and treatment for urban and industrial areas; providing access to clean water supply in rural areas, especially in the Mekong Delta, the Centre and the Northern mountainous areas; solving problems related to water drainage, treatment of waste water, solid waste, medical waste in cities, especially in the first class and second class cities, industrial zones, and populous areas.

In urban development, ODA should be prioritized to solve urban transport problems, especially in big cities such as Hanoi, Ho Chi Minh City, developing ring-roads in big cities, inner city roads, gradual development of the iron-wheel transportation network (monorails, subway...), policies and institutions development for management of social issues.

c. Social infrastructure development (health care, population development, education and training and others...)

In health care, population development, ODA is prioritized for upgrading hospitals and providing them with medical equipment, especially general hospitals at province and district levels; supporting the implementation of activities to deliver the Millennium Development Goals (MDGs) in the health sector such as reduction in birth rate, malnutrition and child mortality rates, improvement in reproductive health, combat of HIV/AIDS, malaria and other diseases; capacity building for policy makers in health care sector as well as health staff in villages, communes and private health workers in mountainous areas.

In education and training, ODA should be mobilized and utilized to support the achievement of the MDGs in the education sector, to improve the quality of, and enrollment in, education at all levels, as well as vocational training; concentrating in modernization of focal training schools, building certain key training laboratories for research and training; developing education in difficult areas, cadre training, especially at grass root levels in rural and mountainous areas□; supporting policies formulation, strengthening capacity for institutional and sector management. .

d. Environment and natural resources protection

ODA should support the SEDP goals relating to environment including implementation of master plans on sustainable natural resources management; support to the implementation of Agenda 21 on sustainable development; meeting international environmental commitments to reduce pollution; improve urban environment; and strengthening natural disaster preparedness and response capacity.

e. Institutional capacity and human resources development; Technology transfer, research and development capacity building

Institutional capacity and human resources development. ODA should be prioritized for: completing legal systems on economic development and social management post WTO accession; formulating and implementing policies for macroeconomic management, banking and financial sector reform; decentralization combined with capacity building for grassroots levels; capacity building for elected staff at both Central and local levels; comprehensive capacity building for the management of public investments, including the monitoring and evaluation system of those investments; promoting pro-poor public administration; minimizing red tape, corruption; ensuring a participatory and democratic State administration.

In science and technology, capacity building for research and development, ODA is mobilized and utilized to upgrade, build key research institutes, and universities towards regional standards; attracting most advanced knowledge and skills in science and technology, business know-how; modernization of and improvement of quality of meteorological broadcast.

f. Employment and social safeguards, gender equality, child protection; Youth development; Prevention of social evils.

ODA should be prioritized to generate jobs, increase opportunities for women in the labor force, trained labor, decreasing unemployment in urban areas; ensuring gender equality, improving women's status in schools, especially among ethnic minorities, increasing the number of women at work, reducing women vulnerability for domestic violence; protecting children rights; decreasing vulnerability of the poor and disadvantaged groups; developing strategies to prevent and mitigate natural disasters.

9. Priorities for direct ODA mobilization and utilization by area in 2006-2010

a. The Northern Mountainous Area

ODA resources should be mobilized for the following priority areas: Sustainable Forestry Sector Development; Access to infrastructure services including electricity, irrigation, clean water and rural roads; Ethnic Minorities development; Boarding-schools for ethnic minorities and equipment to universities; Equipment to provincial hospitals, and construction of medical centers; and Urban infrastructure to strengthen economic linkages with China; capacity building for administrative management at all levels□

b. Red River Delta and Northern Key Economic Area

ODA should be mobilized to implement development objectives in the following areas: modernize the Transport Network; improve Other Infrastructure Services; strengthen Universities; improve Vocational Schools; support Diversification of Income for Rural Households; and improve Provincial and Municipal Hospitals; preventing and reducing pollution, capacity building for administrative management at all levels□

c. The Northern Central Area, Central Coast and Key Economic Area of the Central Region

ODA should be oriented towards the following areas: sustainable Forestry and Natural Resources Management; Irrigation Systems; Rural Transport; Support Coastal Fishers and Ethnic Minorities; Develop Infrastructure to Promote Regional and International Trade; Develop the System of Vocational Schools; Develop the Health Care System; and Improve Capacity of the Administration at all Levels□.

d. Central Highlands

Priority areas for mobilization and utilization of ODA in the Central Highlands region are: forestation and protection of national parks; construction of irrigation works; upgrading highway connections with Central coastal provinces and Cambodia and Laos; improve access to rural infrastructure; improve income generation opportunities for rural population; and strengthen the administrative capacity of all levels.

e. South East, including Southern Key Economic Area

ODA should be attracted in the following areas: Scientific and technological support for agricultural development; Planting of coastal protective forests; Improve the transport

network including ring roads around HCMC, modernization of the railway and waterway transport network, construction of a new international airport and a public transit system in HCMC (metro, sky-rail and suburban trains...); Complete and construct new systems for urban environmental improvements; Supply medical equipment to provincial hospital; Build vocational schools; Strengthen the capacity of urban management...

f. Mekong Delta Area

Priority to mobilize ODA resources should be given to the following areas: Sustainable Natural Resource Management; Irrigation systems; Rural transport; Development of waterway transport; Restoration of railway route between HCMC and My Tho; Development of infrastructure of Can Tho; Develop environmental infrastructure; Invest in Comprehensive Rural Development; Improve health services; Develop vocational schools; Turn the Can Tho University into a key national university; and Strengthen the administrative capacities at all levels...

10. Strategies for ODA Mobilization and Utilization by Donor

Different donors have different level of commitments, different strategies and policies of ODA delivery, as well as their own advantages in delivering ODA to Vietnam.

Therefore, the Government will make its best efforts in utilizing the strengths of each donor and facilitating good coordination among donors to ensure efficient allocation and utilization of ODA in line with the principles of the Hanoi Core Statement on Aid Effectiveness and to implement SEDP 2006-2010.

a. For Development Banks and Funds (JBIC, WB, ADB, AFD and KfW): the Government will mobilize and utilize financing from these organizations for investment in national and regional socio-economic infrastructure, as well as urban infrastructure in main cities and towns to accelerate sustainable socio-economic development and poverty reduction. Supports from these development banks are also directed towards institutional capacity and human resources development.

b. Other Bilateral and Multilateral Donors: the Government will mobilize and utilize support from these donors for projects and programs in the following areas:

- Supporting the development of small scale social and economic infrastructure projects for rural, mountainous and ethnic minorities areas with the focus on poverty reduction.
- Strengthening capacity and institutional development, especially on post WTO issues, with a high priority given to provincial needs.
- Increased donor co-financing to increase the investment scale and reduce inefficiencies and overlaps related to individual donor project support;
- Providing TA to improve preparation quality of investment projects and to simplify ODA rules and procedures to speed up disbursements and reduce the need for ODA borrowing;

- Providing budget support to certain provinces to support infrastructure development, especially rural, mountainous and ethnic minorities areas.

11. Aid Delivery Approaches and Modalities

ODA can be delivered through a variety of modalities, therefore, the decision on the use of a particular modality should be based on the specific requirements of the developmental challenge being addressed to ensure aid effectiveness.

a. Aid delivery approaches

In the coming period, ODA grants are prioritized for programs and projects that are unable to repay loans, especially those directly serving the poor, and difficult areas; technical assistance is directed towards such areas as development research, capacity and institutional improvement, preparation of ODA loans to reduce Government borrowing.

ODA loans especially those with concessional conditions (low interest rates, long payment periods and grace periods) should primarily be used for construction of national socio-economic infrastructure. ODA loans with less favorable conditions (higher interest rates, shorter payment periods and grace periods) should be utilized for economically and financially feasible projects, programs.

b. New aid modalities

Promoting the application of new aid modalities such as program based approach, general and sector budget supports, budget support to implement National Target Programs to maximize Government ownership, reduce transaction costs, enhance harmonization of procedures between Government and donors and alignment to Government systems and accelerate disbursement of ODA projects, programs.

IV. STRATEGIES FOR ODA MOBILIZATION AND UTILIZATION BEYOND 2010

According to international practices, a developing country classified as having middle-income status (that is average per capital GDP of over USD1,000) receives less preferential ODA funding sources.

According to SEDP 2006-2010, by 2010, average per capita GDP of Vietnam is planned to reach USD1,050. Therefore, the proportion of concessional ODA after 2010 could be reduced, and ODA with conditions closer to commercial loans would become more common. In 2006-2010, it is necessary to study the utilization of new types of loans from International Bank for Reconstruction and Development (IBRD) of the World Bank group, Ordinary Credit Resources (OCR) from the Asia Development Bank (ADB), Other Official Funds (OOF) from Japan, PS 3 from France, and development credit from Germany in order to prepare for effective mobilization and utilization of these sources of funds after 2010. Approaches could be taken to utilize those sources of funds such as extending the beneficiaries of ODA to private sectors; directing ODA towards areas with high financial returns and sustainable debt servicing capacity.

V. KEY MEASURES TO BE IMPLEMENTED

In order to implement the ODA Strategic Framework 2006-2010, the Government will implement the following policies and measures:

1. Policies and institutional measures

- a. Improving awareness and understanding about the nature of ODA, enhancing ownership in the mobilization and utilization of ODA to serve the development objectives of the nation, sectors, and localities.
- b. Managing public investment funds in accountable and transparent manner; further improving Government procurement system towards international standards; reinforcing the Government's anti-corruption efforts.
- c. Ensuring the consistency and standardization, clarity, simplicity, and transparency of the legal system on ODA management and utilization.
- d. Strengthening domestic financial policies for ODA. Details are:
 - Implementing action plans for foreign debt management strategy until 2010.
 - Disseminating on-lending policies for ODA projects and programs in respective sectors and areas.
 - Ensuring clear and transparent tax policies for ODA projects and programs.
 - Strengthening the management of ODA according to the Law on State budgets.
- e. Strengthening the monitoring and evaluation of ODA projects and programs.
 - Developing an official database for ODA projects and programs for use in monitoring, impact assessment and planning.
 - Institutionalizing M&E requirements of ODA projects and programs in the legal documents that guide Decree 131/2006/ND-CP on ODA management and utilization.
 - Co-coordinated institutional set up for community's monitoring and supervision to prevent waste, leakages and corruption.
 - Development and application of necessary sanctions to encourage effective use of ODA and prevent and penalize wrong doings and violations in the management and utilization of ODA.

2. Organizational measures

- a. Finalizing organizational arrangements of focal points for ODA management and utilization at all levels, especially at Departments of Planning & Investment of cities and provinces to assist People's Committees to appraise ODA projects and programs.
- b. Improving organizational structure and operations of ODA project and program management units.

- c. Reinforcing the activities of Government Task-force on accelerating the disbursement of ODA projects and programs.

3. ODA mobilization and utilization capacity building measures

- a. Improving understanding of leaders, managers, and implementers of ODA projects/programs at all levels about Government and donors' policies and procedures.
- b. Strengthening capacity to prepare ODA projects and programs.
- c. Strengthening capacity for PMUs towards professionalism and sustainability.

4. Publicity and transparency measures

- a. Developing criteria for the selection of ODA projects and programs to be included in the Requesting List according to existing Regulations.
- b. Considering the expansion of ODA beneficiaries beyond State sectors for projects and programs that serve public interests on the basis of legal compliance and aid effectiveness.
- c. Disseminating all information and documents of ODA sources of funds to Ministries, line agencies and localities for project and program identification.

5. Information dissemination and communication measures

- a. ODA state management agencies, line agencies and beneficiaries are responsible for providing adequate and accurate information on how to access and utilize ODA to elected agencies, the mass media when requested. This would contribute to the accountability and public guidance on the utilization of this source of fund.
- b. Maintaining and enriching ODA websites and bulletins to contribute actively to the mobilization and utilization of this source of funds as well as transparency in ODA information.
- c. Strengthening the dissemination of ODA information overseas; conducting promotion activities overseas to mobilize this source of funds.
- d. Establishing rewards and acknowledgement mechanisms for national and international individuals or groups, international donors for their great contributions to the delivery and utilization of ODA for the cause of Vietnam's socio-economic development.

6. Measures to strengthen the Government and Donor Partnerships

- a. Improving the quality of dialogue between Government and donors through established mechanisms, for example annual and mid-term Consultative Group meetings, sector partnership groups; and the Partnership Group for Aid Effectiveness (PGAE).
- b. Promoting ownership and active participation of Ministries, line agencies and localities in the mobilization of ODA from donors.

- c. Working closely with donors to implement the Paris Declaration and the Hanoi Core Statement on Aid Effectiveness.
- d. Promoting joint-work amongst donors for mutual benefits and harmonization of procedures to reduce transaction costs and enhance aid effectiveness.
- e. Harmonizing government and donor procedures in the preparation, implementation, monitoring and evaluation of projects and programs.

VI. IMPLEMENTATION OF THE ODA STRATEGIC FRAMEWORK

1. Complied to and Implemented Together with SEDP 2006 - 2010 at all levels:

ODA state management agencies, line agencies and beneficiaries comply with the directions, guiding principles, strategies for the mobilization and utilization of ODA for 2006-2010 in this ODA Strategic Framework; mainstreaming these contents in the implementation of social-economic development objectives of the sector and locality. The mobilization of ODA should be based on this ODA Strategic Framework.

2. Partnership with donors for the Implementation:

Ministry of Planning and Investment, Ministry of Foreign Affairs, Vietnamese representative missions overseas, Ministries, sector agencies, and local authorities within their scope of authorities introduce this ODA Strategic Framework to donors, co-ordinate among each other and cooperate with donors in the preparation, implementation of specific ODA projects, programs in accordance with this ODA Strategic Framework.

3. Monitoring, Reporting, and Updating the Framework

Ministry of Planning and Investment leads, through the Action Plan for the ODA Strategic Framework, the monitoring of the implementation of this Strategic Framework; prepares periodic reports to the Prime Minister; leads and coordinates with related agencies to make necessary and timely updates, adjustments to the Framework./.

PRIME MINISTER

Signed

Nguyen Tan Dung