Managing Donors and Owning Policies:  
The East Asian Perspective of Ownership and a Case of Vietnam

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Highlights

1. Ownership concept  
   ■ Conventional definition vs. the East Asian perspective

2. Type of ownership:  
   ■ Donor management  
   ■ Development management (incl. policy ownership)

3. Case study: Vietnam
1. Ownership Concept: Conventional Definition

- Political *commitment* to and *capacity* for designing and implementing policies and development actions (Johnson & Wasty 1993, Morrissey 1999, etc.)

- Relatively new terminology (WB/OED 1991–)
  - Originated from donor agencies? -- the lessons from structural adjustment programs and the past project aid

- Now, a guiding principle of aid relationships
  - Paris Declaration on Aid Effectiveness (OECD/DAC, 2005)

- Aid relationship as *black box* (Jerve and Hansen 2007); need for recipient perspectives

The East Asian Perspective

- Managing aid as integral part of the development process
  - Aid relationship—just one component of development management, as a means to realize national development priorities

- Graduation as the ultimate goal of aid receipt.
  - Existence of *exit plan* from aid, with vision and realistic measures for achieving self-sustainability

- Development as a *translative adaptation* process -- not unilinear *modernization* (Maegawa 1994)
The East Asian Perspective (Example)

<Malaysia and Thailand (esp. the 70-80s)>

- Key role of central economic agencies -- strategic core centers of development management
  - Strategic planning and implementation coordination of developmental activities, including aid, intra-govt. coordination, govt.-business partnership
  - Forming developmental coalition with leaders

- Using aid for growth and graduation
  - Absorption of foreign knowledge & technology → internalization → institutionalization → becoming donor agencies

I. Ohno and Shimamura (2007)
http://www.grips.ac.jp/forum/pdf07/AidMgt.pdf

2. Type of Ownership (1)

Distinguishing donor (or aid) management and development management (incl. policy ownership)

<table>
<thead>
<tr>
<th>Donor management</th>
<th>Development management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capability of owning relationship with the donor community</td>
<td>Capacity for owning policies (e.g., design, implement, monitor &amp; revise as required)</td>
</tr>
<tr>
<td>Can be exercised by a relatively small segment of the government</td>
<td>Execution of development itself (of which aid mobilization is only a part)</td>
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<td></td>
<td>Must be supported by the concerted actions of all administrative bodies—horizontally and vertically.</td>
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</tbody>
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Development Management and Aid

Donors
- Identification of aid needs
- Formulation of aid strategy

Recipient Countries
- Development vision
- Development strategy & plan
- Implementation (public investment, service delivery)
- Aid money
- Internal budget

Donor (aid) Management
Aid relationship as part of the entire development process

Development Management
- Development effectiveness & sustainability
- Achievement of strategic goals

Type of Ownership (2)
- Policy ownership: managing policy ideas, as part of development management
- Key questions:
  - Who set the scope of policy choice and interpretation?
  - Is the government free to choose and own only the set of policies already decided by donors?
- Ownership of what?, by whom?


"...some donors seem to believe that ownership exists when recipients do what we want them to do but they do so voluntarily."
3. Case Study: Vietnam

- Vietnam: often cited as a country with “strong” ownership.

**Question:**
- What is the nature and levels of ownership demonstrated by Vietnam, especially from the East Asian perspective?

**Our Analysis:**
- Vietnam’s seemingly “strong” capacity for dealing with donors should NOT be confused with capacity for managing the entire development process.
- Vietnam has not yet developed an effective economic policy-making structure and processes.

The Context of Vietnam’s Aid and Development (1)

- One of the largest ODA recipients
- Active development partnerships (30+ donors pledging)
- Good progress in achieving MDGs and economic growth

**The Importance of ODA in Macro-economy (2005)**

<table>
<thead>
<tr>
<th></th>
<th>ODA inflow (net), $bn</th>
<th>FDI inflow (net), $bn</th>
<th>Workers' remittance, $bn</th>
<th>ODA/GNI (%)</th>
<th>ODA/Gross capital formation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Vietnam</strong></td>
<td>1.9</td>
<td>2.0</td>
<td>4.0</td>
<td>3.7</td>
<td>10.3</td>
</tr>
<tr>
<td>(pc.GNI=$620)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sri Lanka</strong></td>
<td>1.2</td>
<td>0.3</td>
<td>2.0</td>
<td>5.1</td>
<td>19.3</td>
</tr>
<tr>
<td>(pc.GNI=$1170)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Nepal</strong></td>
<td>0.4</td>
<td>-</td>
<td>1.2</td>
<td>5.8</td>
<td>20.0</td>
</tr>
<tr>
<td>(pc.GNI=$300)</td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Tanzania</strong></td>
<td>1.5</td>
<td>0.4</td>
<td>0.2</td>
<td>12.5</td>
<td>65.8</td>
</tr>
<tr>
<td>(pc.GNI=$340)</td>
<td></td>
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The Context of Vietnam's Aid and Development (2)

- Transition to the market economy
  - Economic reform “Doi Moi” (1986); collapse of ex-Soviet Union (1991) → govt. decision to open its economic relations to the West; WTO membership (2007)
  - But, the organizational structure of govt. remains largely unchanged from the era of centrally planned economy

- Central role of the Ministry of Planning & Investment (MPI, ex-State Planning Commission)
  - Development planning, development budget, public investment planning; and
  - Centralizing all kinds of aid through a single window

- Lessons from Vietnam War and Soviet aid
  - National independence and pride (Forsberg 2007)

Donor Management

- Case 1: CPRGS formulation and expansion
  - PRSP as supplementary document to the existing development strategy and plan (the stated goal: “modernization & industrialization by 2020”)
  - Making PRSP growth-oriented, by including large-scale infrastructure
  - Integrating CPRGS II into the Eighth Socio-Economic Development Plan (2006-2010)

- Case 2: Aid harmonization
  - Managing aid harmonization by donor group (e.g., 5 Banks, LMDGs, EU, UN)
  - Adding diversity to harmonization and modality debates

⇒ Skillful management of donors, laudable for a low-income country.
PRSP as a Primary Document

Existing dev. plan

symbolic

PRSP

govern

Sector plans, budget, MTEF, aid procedures

PRSP: Poverty Reduction Strategy Paper
MTEF: Medium-Term Expenditure Framework

PRSP as a Supplementary Document

Existing dev. plan

govern

PRSP (VN: CPRGS)

supplement

Budget

Sector plans

CPRGS: Comprehensive Poverty Reduction and Growth Strategy (Vietnamese version of PRSP)
Policy Design and Implementation

- Case 3: Challenges of internal harmonization
  - Incompatibility between ODA management and internal administrative systems
  - Complicated web of vertical & horizontal authorities (e.g., domestic vs. external accountability, central ministries vs. provincial governments, intra-ministerial coordination)

- Case 4: The content of growth strategies
  - Lack of realistic industrial vision; unpredictable and inconsistent policies; limited govt.-business dialogues
  - Insufficient strategic coordination within decentralized decision-making structure (e.g., MOIT, MPI, MOF, MOSTE)
  - Eg. import duties for automobiles & parts (2008) WTO

→ Weakness in development management, compared to more advanced East Asian economies

**Multi-layered Model**

**Malaysia**
Organization for drafting Industrial Master Plan

- **Industrial Planning Committee (IPC)**
  - Headed by MITI; Minister, members from MITI, EPU, economic agencies (27)

- **Steering Committee (SC)**
  - Headed by MITI; official members from MITI, EPU, economic agencies, businesses (17)

- **Technical Resource Groups (TRGs)**

Source: Kenichi Ohno
Drafting Industrial Master Plans in the East Asian Context

Source: MITI website
Note: Numbers in parentheses indicate the number of members in each committee or group.
Central Coordination Model:
Thailand under Thaksin 2001-06

- Strong Prime Minister
- Policy direction to be concretized
- Relevant Ministry
- Industry-specific Committees
- Industry-specific Institute
- Experts
- Private Sector
- Direct inputs
- Master plans
- Policy actions

Source: Kenichi Ohno
Drafting Industrial Master Plans in the East Asian Context

Vietnam: Traditional M/P Drafting Process

- Prime Minister
  - Review for approval
- Minister
  - Order
  - Submit
  - Internal review
- MPI & other Ministries
  - Inter-ministerial review
  - Submit
  - MPI & other Ministries
- Drafting Team
  - Data
  - MPI & other Ministries
  - Technical assistance (sometimes)
  - International experts

- Business Community
  - No permanent channel for continuous policy dialogue (case-by-case, temporary, ad hoc)
  - Appeal letter to Prime Minister when problems arise
  - Contact Ministry when necessary
  - Interviews, symposiums (sometimes)

Source: Kenichi Ohno
Drafting Industrial Master Plans in the East Asian Context
Synthesis

- Ownership concept: need to go beyond aid relationships (too narrow)
- The role of donors?
  - Should recognize that domestic factors do matter.
  - Importance of identifying entry points for effective assistance; carefully target and integrate aid in govt’s own agenda.
- For fostering true ownership in Vietnam?
  - Increase policy debates and stimulate domestic policy research & training, across agencies and stakeholders.
  - Long-term investments in human resources, for the second generation of policy makers and officials.

THE END