

Hanoi Core Statement on Aid Effectiveness Ownership, Harmonisation, Alignment, Results

Background Statement

We, the Government of Vietnam and development partners, agree to take far-reaching and monitorable actions to make aid more effective as we look ahead to the achievement of Vietnam's Development Goals (VDGs) by 2010, and the Millennium Development Goals (MDGs) by 2015¹. We recognise that while volumes of aid and other development resources are increasing to achieve the VDGs, aid effectiveness must also increase significantly to support Vietnam's efforts to strengthen governance, to improve development performance, and to enhance development outcomes. We agree at this workshop to localise the conclusions of the High Level Forum on Aid effectiveness held in Paris in March 2005 ("The Paris Declaration") to reflect circumstances in Vietnam. We resolve to increase the impact of aid in reducing poverty and inequality, increasing growth, building the capacity of human resources and institutions, and accelerating achievement of the VDGs.

Partnership Commitments

Developed in a spirit of mutual accountability, these Partnership Commitments reflect the ambitions and structure of the Paris Declaration and build on the on-going efforts and experiences of development in Vietnam.

1. OWNERSHIP

Vietnam defines operational development policies

1. The Government of Vietnam exercises leadership in developing and implementing its 5 Year Socio Economic Development Plan (SEDP) through a broad consultative processes which integrates overseas development aid into mainstream planning (**Indicator 1**).
2. The Government of Vietnam further strengthens its leadership role in co-ordinating aid at all levels.

2. ALIGNMENT

Donors align with Vietnam's strategies and commit to use strengthened country systems

3. Donors base their support on the Government of Vietnam's SEDP and related national, regional and provincial, and sectoral plans (**Indicator 2**).
4. Donors base dialogue on the poverty reduction and growth agenda articulated in the SEDP.
5. The Government of Vietnam and donors establish mutually agreed frameworks that provide reliable assessments of country systems, procedures and their performance.
6. Donors use country systems and procedures to the maximum extent possible. Where use of country systems is not feasible, donors establish additional safeguards and measures in ways that strengthen country systems and procedures (**Indicator 5, 6 and 8**).
7. Donors avoid creating parallel structures (PMUs) for day-to-day management and implementation of aid-financed projects and programmes (**Indicator 3**).
8. Donors phase out paid incentives for government officials administering aid financed activities and do not establish incentives in future activities.

Vietnam strengthens institutional capacity with support from donors; donors increasingly use government systems

9. The Government of Vietnam integrates capacity building objectives in the SEDP and related national, regional and provincial, and sectoral plans and leads a comprehensive capacity building programme with co-ordinated donor support (**Indicator 4**).
10. The Government of Vietnam undertakes reforms, such as public administration reforms (PAR), that promote long-term capacity development.

¹ Vietnam's progress in meeting the MDGs will be presented to the UNGA Summit in New York, September 2005.

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11. The Government of Vietnam undertakes reforms to ensure that the legal framework, national systems, institutions and procedures for managing aid and other development resources are effective, accountable and transparent.
12. The Government of Vietnam and donors commit sufficient resources to support and sustain reform and capacity building in public procurement and public financial management.
13. Donors progressively rely on the Government of Vietnam's procurement system once mutually agreed standards have been attained (**Indicator 5**).
14. Donors progressively rely on the Government of Vietnam's public financial management system once mutually agreed standards have been attained (**Indicator 6**).
15. The Government of Vietnam publishes timely, transparent and reliable reports on budget planning and execution (**Indicator 6**).
16. Donors enhance the predictability of future aid through transparent decision making processes, provide reliable indicative commitments of aid over a multi-year framework (including aid commitments covering multi-year expenditures of projects) and release aid in a timely and predictable fashion in relation to the Government of Vietnam's budget cycle (**Indicator 7**).
17. The Government of Vietnam, supported by donors, develop specialised technical and policy capacity for social and environmental analysis (SIA and EIA) and enforcement of legislation (**Indicator 8**).

3. HARMONISATION AND SIMPLIFICATION

Donors implement common arrangements and simplify procedures

18. The Government of Vietnam and donors jointly conduct and use core diagnostic reviews such as Country Financial Accountability Assessment (CFAA), Public Expenditure Review (PER), Country Procurement Assessment Report (CPAR), etc, and the Government of Vietnam and donors work together to share other reviews and carry out more joint reviews (**Indicator 9**).
19. Donors rationalise their systems and procedures by implementing common arrangements for planning, design, implementation, M&E and reporting to Government of Vietnam on donor activities and aid flows (**Indicator 10**).
20. Government of Vietnam and donors increasingly use programme based approaches (Defined in Box 3.1, Chapter 3 "Sector Approaches" of Harmonising Donor Practices for Effective Aid Delivery, Volume 2 (OECD, 2005))² (**Indicator 11**).
21. Decentralisation and delegation of authority to the country level is maximised for each donor (**Indicator 12**).

Complementarity: more effective division of labour

22. The Government of Vietnam provides clear views on donors' comparative advantage, different aid modalities and on how to achieve donor complementarity at country or sector level.
23. Donors make full use of respective comparative advantage at sector level by aligning support and agreeing, where appropriate, lead donors for co-ordinating programmes, activities and tasks, including delegated co-operation.

Incentives for collaborative behaviour

24. Government and donors devise practical means to encourage harmonisation, alignment, and results based management.

² In this definition programme-based approaches share the following features irrespective of aid modalities: i) Leadership by the host country; ii) Single Comprehensive programme and budget framework; iii) Formalised process for donor co-ordination and harmonisation of procedures; and iv) Efforts to increase use of local systems for the whole project cycle.

4. MANAGING FOR RESULTS

Managing resources and improving decision-making for results

25. The Government of Vietnam and donors jointly use results-oriented performance assessment frameworks to maximise aid effectiveness and manage implementation of the SEDP and related national, regional, provincial and sectoral plans (**Indicator 13**).
26. 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.

5. MUTUAL ACCOUNTABILITY

Government of Vietnam and donors are accountable for development results

27. 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 (**Indicator 14**).
28. 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.

HANOI CORE STATEMENT INDICATORS AND TARGETS

	Indicator	Indicative Targets to 2010 ³
	Ownership	
1	5 Year Socio-Economic Development Plan (SEDP) is finalised, CPRGS principles are integrated; SEDP is effectively implemented.	5 Year SEDP targets are achieved
	Alignment	
2	Donor assistance strategies are aligned to the SEDP and related national, regional, provincial and sector strategies	All donor assistance strategies
3	Donors strengthen GoV capacity by avoiding parallel PMUs	No parallel PMUs
4	Capacity building objectives are clearly set out in the SEDP and related national, regional, provincial and sector strategies, and PAR. GOV and partner agencies lead comprehensive capacity building programmes with co-ordinated donor support – <i>Percent of aid for capacity building per se delivered through partner-led and coordinated programmes</i>	100% partner-led and coordinated programmes
5	Public procurement systems are strengthened to mutually agreed standards taking into account such recommendations as CPAR, PAR – <i>Percent of aid flow and percent of donors using GoV procurement systems.</i>	At least 50% of aid flows and at least 50% of donors channelling at least 50% of their funds through country systems
6	a) Public financial management systems strengthened and PER / CFAA recommendations are implemented b) GoV publishes timely, transparent and reliable reporting on budget execution, audited by State Audit of Vietnam in accordance with INTOSAI ⁴ <i>Percent of aid flows and percent of donors that use the national budgeting, financial reporting, and auditing system.</i>	At least 50% of aid flows and at least 50% of donors channelling at least 50% of their funds through country systems
7	More predictable aid – <i>Percent of aid disbursed according to agreed schedules in annual or multi-year frameworks</i>	75% of aid disbursed on schedule
8	GoV and donors improve environmental and social safeguards – <i>Percent of EIAs and SIAs implemented to international standards and using government systems</i>	At least 100% of EIAs and SIAs under donor funded projects implemented to international standards and at least 30% of these carried out using government systems.
	Harmonisation and Simplification	
9	Fewer, better, core diagnostic and country analytical reviews of Vietnam's	Core diagnostic reviews used by all

³ Targets may be modified following finalisation of the Indicators of Progress (Part III of the Paris Declaration). Interim targets to be established in the V-HAP.

⁴ International Organisation of Supreme Audit Institutions (INTOSAI).

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	development needs. – <i>Percent of country/sector diagnostic reviews and studies used by 2 or more donors.</i>	donors; at least 75% of country analytical reviews used by 2 or more donors
10	Common project cycle management tools agreed and used throughout the project/programme cycle (planning, design, implementation, management reporting etc.) – <i>Percent of donors using common project/programme cycle tools</i>	At least 50% of donors
11	Donor interventions are co-ordinated within GoV-led policy and sector frameworks, including general / sector budget support and project modalities. The % use of different aid modalities (by volume) will be monitored each year	At least 75% of aid is national or sector programme based
12	Donors enhance capacity of country offices and delegate authority to them – <i>Percent of donors and aid interventions that are managed at the country level</i>	At least 75% of aid interventions
Managing for Results		
13	Results framework developed and used to assess the performance of the SEDP and sector programmes – Composite score based on 4 characteristics of a results-oriented framework (objectives, availability of indicators, M&E capacity and information use in decision making)	Score of 3 based on DAC criteria ⁵ and continuous monitoring
Mutual Accountability		
14	Periodic mutual assessment of progress in implementing agreed commitments on aid effectiveness	Annual assessment

⁵ This is based on the OECD DAC scoring system detailed in their questionnaire “Baseline Survey Paris Declaration on Aid Effectiveness, 2005”.

DEFINITIONS FOR THE JULY 2TH

HANOI CORE STATEMENT

INDICATOR 1	<p><u>Ownership</u></p> <p>This is the effective exercise of GoV authority over development programmes including when it relies on external resources to implement them. (OECD-DAC)</p> <p>Achieving this requires a concerted effort by GoV and Donors based on the CPRGS Principles.</p> <p><u>CPRGS Principles</u></p> <p>Outcome oriented planning. The Prime Minister’s directive 33 emphasises the achievement of the Vietnam Development Goals. This is indicative of a shift in the planning process, from a target oriented approach to one which is focused on achieving development outcomes.</p> <p>Comprehensive approach to planning with pro-poor orientation. Poverty treated as “cross cutting” approach. Poverty concerns mainstreamed across sectors and provincial plans.</p> <p>Broad based participatory approach to planning. The Prime Minister’s directive recommends wide ranging consultations. Consultation is sequenced to ensure that stakeholders are able to debate the main strategic issues and plan priorities. And relevant stakeholders including the poor consulted at different points of the planning cycle.</p> <p>Linking plans to budgets. The aligning of plan priorities with budget allocations. SEDP priorities to guide and inform public investment decisions through enhanced public participation. Strengthened capacity of provinces to integrate poverty reduction and growth into provincial planning and budgeting.</p> <p>Defining the role of the private sector and civil society. Government considers the potential role of private sector and civil society in delivering plan priorities, and reassess the areas where it has a comparative advantage and others, which could be left to the private sector. Engaging with the civil society to strengthen the participation of the poor in planning and monitoring of plans and in implementing the Grassroots Democracy Decree.</p>
INDICATOR 2	<p><u>Donor assistance strategies are aligned</u></p> <p>Alignment is the commitment made by donors to base their development assistance on countries national strategies, institutions and processes (OECD-DAC)</p> <ul style="list-style-type: none"> • Donors support the 5-year socio economic plan as the framework of reference for programming their country assistance which is aligned on the needs and priorities identified in the SEDP. • Donors' budget support is aligned with partners' budget cycles. • Programme support is delivered using GoV systems and procedures. <p>Aid should be provided in ways that build, and do not undermine, partner</p>

	countries' sustainable capacity to develop, implement, and account for these policies to their people and legislature.
INDICATOR 3 <i>(This definition needs to be reworked to take account GoV organisational systems)</i>	<p><u>Parallel PMUs</u> Project management units (PMUs) are dedicated structures that are responsible for the day-to-day management and implementation of aid-financed projects and programmes. They vary in size, function, physical location, legal status, and degree of integration with existing structures.</p> <p>A fully integrated PMU is a desirable model from an institutional development perspective: The implementing ministry where the PMU is located takes full responsibility and implements projects using the existing ministry structure, procedures, and staff. In some cases, the ministry may reassign some staff to carry out project activities by releasing them from other ministry functions. Such a PMU may be supported by limited technical assistance for specific areas that require additional skills or expertise.</p> <p>Parallel PMUs are usually created outside the existing structure of the project implementing ministry and often duplicate or recreate ministry functions and capabilities. Parallel PMUs often need substantial technical assistance support for specific areas of expertise or skills. Given that all PMUs in Vietnam are integrated to some extent into their parent agency, there is a need to identify a local definition of the kind of “parallel PMUs” that are to be avoided.</p>
INDICATOR 4	<p><u>Government-led or Vietnamese Partner led and co-ordinated capacity building</u> <u>Coordinated means that the programmes are coordinated by the Partner Agency (here the term coordination does not refer to the coordination between donors).</u></p> <p>The United Nations Development Programme defines capacities as comprising the “ability of people, institutions and societies to perform functions, solve problems and set and achieve objectives”</p> <p>Partner-led and co-ordinated capacity building programmes are capacity building programmes per se which fit in under the capacity development strategy for the partner agency.</p>
INDICATOR 5	<p><u>CPAR, PAR recommendations implemented</u></p> <p>The public procurement system will be strengthened when the recommendations of the CPAR 2002 and the CPAR updates in 2004 as part of the PAR-IFA are implemented.</p> <p>A Monitoring and Evaluation system will be established by GoV to track and benchmark the performance of the Public procurement system.</p> <p>The target refers to a % of donors using the GoV Procurement systems : to be eligible , a donor has to channel at least 50% of its aid through the country systems</p>

INDICATOR 6	<p><u>Public financial management systems strengthened and PER / CFAA recommendations implemented</u></p> <p>Public Financial Management systems comprise the budgeting, (effective allocation of public funds between sectors), investment planning, public procurement, accounting and auditing systems.</p> <p>Using Public Budgeting system means that the ODA funds are reported in the national, provincial and sectoral budget.</p> <p>The target refers to both a percentage of aid flow and percentage of of donors using the country systems. To qualify as using country systems, a donor has to channel at least 50% of its aid through the country systems.</p> <p>Public Expenditure Review (PER) recommendations have been approved by the Prime Minister. The GoV action plan is to be formulated by year end 2005.</p> <p><u>Government publishes timely, transparent and reliable reporting on budget execution</u></p> <p>Decree 60 (June 2003) provides the framework covering budget execution. The strengthening of the budget execution, reporting and auditing is guided by the Country Financial Accountability Assessment (CFAA) prepared in 2000 by the World Bank; The update of the report and of its recommendations is currently in progress.</p> <p><u>Budget audited in accordance with the International Organisation of Supreme Audit Institutions (INTOSAI)</u></p> <p>The State Audit Board is preparing enactment of a new audit law to move the Board closer to a genuine external audit law (including provision for performance audits) placing greater efficiency on the efficiency of the spending and not only the control of procedures.</p>
INDICATOR 7	<p><u>Predictable aid: Aid disbursed according to agreed schedules in annual or multi-year Frameworks</u></p> <p>Aid is predictable when the GoV can be confident about the amount and the timing of aid disbursements. (OECD /DAC) This issue is related to the extend to which GoV can rely on donor pledges being translated into actual aid flows and to the transparency of the criteria for adjusting disbursements.</p> <p>When budget support is provided, it is important that it be delivered in accordance with GoV's budget procedures and over a time frame that is consistent with GoV's planning horizon.</p> <p>Predictability is best defined by what it is not. Unpredictable delivery of aid is caused by macroeconomic or governance difficulties, administrative bottlenecks, changes in donor priorities and absence of firm multi year commitments from donors</p>
INDICATOR 8	<p><u>EIAs implemented to international standards</u></p> <p>Environmental Impact Assessment (EIA) is a procedure that ensures that the environmental implications of decisions are taken into account before the</p>

	<p>decisions are made. The process involves an analysis of the likely effects on the environment, recording those effects in a report, undertaking a public consultation exercise on the report, taking into account the comments and the report when making the final decision and informing the public about that decision afterwards.</p> <p>EIA can be undertaken for individual projects such as a dam, motorway or for plans, programmes and policies ('Strategic Environmental Assessment').</p> <p>The International Association for Impact Assessment has published the "EIA global guidelines for EIA". Sector EIA guidelines have been produced to deal with issues of specific sectors : water, industry, etc.</p> <p>Vietnam's Framework for co-operation in the environment field is the National Strategy for Environmental Protection (NSEP) until 2010 and MONRE is currently preparing the Five-year plan 2006-2010. EIA was introduced in Vietnam in 1994 under the law on environmental protection. Decree GD 175/CP states that EIA should be conducted for specific projects and for overall regional development strategies.</p> <p><u>SIAs implemented to international standards</u></p> <p>Social Impact Assessment includes the processes of analysing, monitoring and managing the intended and unintended social consequences (both positive or negative) of planned interventions (Policies, Programs, projects) and any social change invoked by those interventions. Its purpose is to bring a more sustainable and equitable environment.</p> <p>Social Safeguards relate to issues of resettlement and ethnic minority impacts as a result of development projects and the need for compliance with international standards in respect to compensation and associated support activities of affected persons/households so that they are not adversely affected by the development projects.</p>
INDICATOR 9	<p><u>Core diagnostics</u></p> <p>The most commonly used core diagnostic reviews in Vietnam are: Public Expenditure Review which analyses Vietnam's fiscal position, its expenditure policies – in particular the extent to which they are pro-poor – and its public expenditure management systems</p> <p>Country Procurement Assessment Review which examines public procurement institutions and practices in Vietnam and</p> <p>Country Financial Accountability Assessment which enhances the knowledge of public financial management and accountability arrangements in Vietnam</p> <p>Country analytic reports include sector studies and strategies, country/sector evaluations, and discussion papers</p>
INDICATOR 10	<p><u>Common project cycle management tools</u></p> <p>Project cycle management tools include processes, methodologies, formats to conduct :</p> <ul style="list-style-type: none"> - appraisal, - implementation - reporting

	<ul style="list-style-type: none"> - monitoring - evaluation of a project or programme <p>CCBP is coordinating various initiatives (in order to develop a comprehensive, harmonised and streamlined set of Project Management tools.</p>
INDICATOR 11	<p><u>Donors' interventions are co-ordinated within GoV-led policy and sector frameworks, including general/sector budget support and project modalities</u></p> <p>Development assistance should be provided in ways that build partners sustainable capacity to develop, implement and account for these policies to their citizens.</p> <p>Programme-based approaches share the following features irrespective of aid modalities:</p> <ul style="list-style-type: none"> i) Leadership by the host country; ii) Single Comprehensive programme and budget framework iii) Formalised process for donor co-ordination and harmonisation of procedures; iv) Efforts to increase use of local systems for the whole project cycle. <p>Source : OECD</p>
INDICATOR 12	<p><u>Donors enhance capacity of country offices and delegate authority to them</u></p> <p>Donors transfer responsibility for the management of aid programmes from their headquarters to country offices, increasing the capacity of the country offices to make them equal to their tasks.</p> <p>For the purpose of the indicator, interventions managed at country level would be those where the donor project manager is based in the country and where the local office has full responsibility on project or programme implementation and monitoring.</p>
INDICATOR 13	<p><u>Results framework</u></p> <p>A results-oriented performance assessment framework is characterised by</p> <ul style="list-style-type: none"> (a) clear definition of objectives in terms of expected results; (b) availability of monitorable outcomes and output indicators, baseline data, and time-bound targets; (c) monitoring and evaluation arrangements and capacity; (d) use of information for decision-making. <p>Each criteria is scored using following scale :</p> <ul style="list-style-type: none"> 1 - nonexistent 2 - emerging practice 3 - established practice 4 – best practice <p>And the weighted average is computed to give the overall rating :</p>

	An overall rating of 3 (three) and above would indicate an existing results-oriented framework.
INDICATOR 14	<u>Annual assessment of progress in implementing agreed commitments on aid effectiveness</u> The annual assessment is due to measure the progress of the implementation of the VHAP using the mutually agreed indicators of the HCS.