



Report

Age of choice

Viet Nam in the new
development finance
landscape

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April 2016



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ISSN: 2052-7209

Cover photo: Reuters/Kham, 2011. Workers repair an electric grid in Hanoi May 17, 2011.

Key messages

- **Viet Nam became a lower-middle-income country (LMIC) in 2009 and is now classified as a ‘blend’ country by the World Bank Group.** The volume of official development assistance (ODA) is expected to fall but that of other development finance options is expanding, especially towards more expensive, less-concessional and private sources.
- **Development finance beyond ODA increased steadily from 2002 to 2013.** In 2002 the volume of such flows was less than \$90 million, representing 8.5% of total external development finance. Since 2010 this share has become considerably more important and now accounts for a third of all external development finance.
- **Government priorities regarding the terms and conditions of development finance largely reflect the principles of aid effectiveness it championed in the past,** notably ownership of the development agenda and alignment of projects with national priorities. Speed of delivery does not appear to be a major priority.

Acknowledgements

The authors thank the interviewees from central agencies, line ministries, development agencies and civil society organisations who gave us a generous amount of their time.

We are grateful to Dang Thi Thu Hoai and Bui Thi Phuong Lien from the Central Institute for Economic Management (CIEM) who facilitated interviews and provided valuable research support in preparation for and during the visit in Hanoi in January 2015. They also helped to organise the workshop held at CIEM in May 2015 and provided helpful review comments on a draft of this report.

The peer reviewers for this work were Adam McCarty (Mekong Economics) and Vu Dinh Anh (independent). We are grateful to Barbara Stallings (Brown University) and Romilly Greenhill (ODI) for helpful review comments and to workshop participants and discussants for their feedback.

This paper was generously supported by the Bill and Melinda Gates Foundation. The views presented in this paper are those of the author(s) and do not necessarily represent the views of ODI or of the Bill and Melinda Gates Foundation.

Acronyms and abbreviations

ADB	Asian Development Bank
DAC	Development Assistance Committee (OECD)
FDI	foreign direct investment
GCF	Green Climate Fund
GDP	gross domestic product
IBRD	International Bank for Reconstruction and Development (World Bank)
IDA	International Development Association (World Bank)
LIBOR	London Interbank Offered Rate
LMIC	lower-middle-income country
KEXIM	Korean ExIm Bank
MDB	multilateral development bank
MoF	Ministry of Finance
MoNRE	Ministry of Natural Resources and Environment
MPI	Ministry of Planning and Investment
NGO	non-governmental organisation
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
OOF	other official flows
PACCOM	People's Aid Coordination Committee
PPPs	public-private partnerships
SOE	state-owned enterprise
TICA	Thailand International Development Cooperation Agency
NEDA	Neighbouring Countries Economic Development Cooperation Agency
VDPF	Viet Nam Development Partnership Forum

Contents

Key messages	3
Acknowledgements	3
Acronyms and abbreviations	4
1 Introduction	7
1.1 Background	7
1.2 Methodology and research questions	8
2 Influence of country context	9
3 Development finance in Viet Nam	11
3.1 Overview	11
3.2 International sovereign bonds	12
3.3 Bilateral non-DAC donors	13
3.4 Philanthropic and NGO assistance	14
3.5 Climate finance	15
3.6 Public–private partnerships (PPPs)	15
4 Arenas of negotiation	16
5 Government priorities	18
6 Negotiation outcomes	20
7 Conclusions	21
8 References	22
Annexes	23
Annex 1 Mapping external finance flows	23
Annex 2 List of interviewees	24

List of figures and boxes

Figures

Figure 1: ODA and other development finance to Viet Nam, 2002-2013	11
Figure 2: Shares of development finance to Viet Nam beyond ODA, 2010-2012	12

Boxes

Box 1: Defining official development assistance (ODA) and other official flows (OOFs)	12
Box 2: Assistance to Viet Nam from international NGOs	14

1 Introduction

1.1 Background

Development finance has been changing rapidly in the past 15 years and traditional official development assistance (ODA) from members of the Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD-DAC) is becoming less important for recipient countries. These trends have been driven by both demand and supply side factors.

In terms of supply, the development finance landscape underwent what Severino and Ray (2009) have described as a 'triple revolution' in actors, goals and tools. There are many new providers of development finance, including non-DAC donors such as India and China, and philanthropic foundations, such as the Bill and Melinda Gates Foundation. New goals include those related to climate change adaptation and mitigation. Finally, complex new finance instruments have been developed to foster the involvement of the private sector, such as public-private partnerships (PPPs). Another main factor is that fiscal austerity in OECD countries is also putting pressure on aid budgets.

On the demand side: first, the number of low-income countries has been shrinking in the past ten years. Graduation to the status of lower-middle-income country (LMIC) has clear implications for financing. Ever-more countries will be excluded from eligibility for concessional financing from the multilateral development banks (MDBs). In addition, several bilateral development agencies review their funding strategy once an aid-recipient country reaches middle-income status, either moving from grants to loans or phasing out their assistance.

Second, several countries in sub-Saharan Africa have obtained access to international sovereign bonds in the past ten years, including countries that benefited from debt relief. While there are advantages in terms of the flexible use of funds, volumes and diversification/risk mitigation, international sovereign bonds are far more expensive than concessional and non-concessional loans offered by OECD-DAC member countries or the MDBs. Governments do not extensively borrow from harder MDB facilities despite the low-interest environment in international markets.

This study is one of a set of case studies examining the challenges and opportunities facing governments in managing this new context for development finance. It builds on and expands the framework developed in Greenhill et al. (2013), within which (Phase 1) the cases of Cambodia, Ethiopia, Fiji, Papua New Guinea, Vanuatu and

Zambia were analysed. Schmaljohann and Prizzon (2015) summarise the key findings.

Taking stock of these first case studies, in 2015 a second phase of the project reviews the experience of governments in accessing and managing development finance flows beyond ODA. The main characteristics of this type of finance are that it is:

1. cross-border, so excluding domestic bond markets and taxation
2. spent with a public or philanthropic motive, so excluding foreign direct investment (FDI) and remittances. Flows of development finance beyond ODA are counted independently from the level of concessionality.
3. not managed via traditional bilateral and multilateral aid systems (thus excluding ODA grants and concessional loans originating from OECD-DAC donors but not multilateral public climate finance when subject to project- or programme-level competition)
4. potentially under the direct influence of, or control by, the recipient-country government, and in principle accounted for in government budgets, including contingent liabilities and public-private partnerships (PPPs). For example, this would be the case for issuances of sovereign bonds in international financial markets but not of FDI and personal remittances.

Applying these criteria, the flows analysed in this case study are:

- other official flows (OOFs) from DAC/multilateral development institutions, i.e. official transfers that fail to meet the ODA concessionality criteria and/or that do not have a development focus
- flows from non-DAC donors, both ODA and OOF equivalent
- assistance from philanthropic foundations
- climate finance (multilateral)
- international sovereign bond issuances
- PPPs.

PPPs are an instrument and not a source but they provide a concrete example of how governments, aid agencies and the private sector work together.

We define providers of development finance beyond ODA as: non-DAC donors, OECD-DAC (traditional)

donors and MDBs when providing non-concessional assistance, philanthropists and multilateral climate funds. Traditional donors are defined as OECD-DAC members and MDBs providing ODA. We include multilateral (not bilateral) climate finance, since funding and delivery mechanisms for these are based on applications which are reviewed based on a competitive process rather than bilateral negotiations.

To the best of our knowledge, there is no existing case study on how financing choices are made at the level of central agencies (ministry of finance and/or planning), in particular with reference to cross-border/external flows. There is very limited information on flows from development finance institutions and PPP instruments, their impact on debt sustainability and whether they are considered and managed differently from ODA. This series of studies aims to fill this gap.

1.2 Methodology and research questions

The methodology for the case studies is adapted from Fraser and Whitfield (2008) and Ostrom et al. (2001), using Institutional Analysis and Development (IAD). The key insight from Fraser and Whitfield (2008), in contrast with much of the literature on the political economy of aid, is seeing the engagement between recipient-country governments and donors as one of negotiation, since it is assumed that their objectives may diverge. Fraser and Whitfield (2008) also focus on the importance of both the economic and political contexts in shaping country and donor negotiations, and thereby negotiation outcomes.

Drawing on the IAD framework, we also emphasise the importance of negotiation arenas. Rather than taking these as a given, however, we ask whether governments seek to engage with different providers of development finance in the same fora. We focus particularly on arenas related to in-country aid coordination such as sectoral or technical working groups, or regular high-level donor–government meetings. These fora often involve donors and governments in discussion of sectoral strategies, project identification, policy dialogue and conditionalities.

The next section of this report (Section 2) focuses on the Government of Viet Nam (GoV) and its capital for negotiation with various providers of development finance. The section highlights the main elements of the economic, political, governance and aid-management systems influencing negotiations.

Drawing on this theoretical framework, we seek to answer four main research questions for the case of Viet Nam:

1. Volume of flows (Section 3): Does the country receive external development finance beyond ODA and has the volume increased since the early 2000s?
2. Arenas for the negotiation of development finance (Section 4): In which fora does the Government of Viet Nam seek to engage with providers of development

finance beyond ODA, and what strategies does it employ to negotiate with them? How do these differ from the fora and strategies in which the Government of Viet Nam engages with ODA donors?

3. Priorities and characteristics of development finance (Section 5): What are the Government of Viet Nam's priorities for the type of development finance it receives and how do these change across ministries and sectors?
4. Outcomes (Section 6): To what extent is the Government of Viet Nam achieving its objectives in negotiating with the providers of development finance? How has the existence of development finance flows beyond ODA helped or hindered the country to achieve its objectives?

We use 'government' to refer to central agencies, such as ministries of finance or national planning, or their equivalents, and line agencies. We assume that these will have different sets of priorities and types of engagement with different actors. This analysis does not reflect civil society priorities, which may well differ from those of the government.

We selected Viet Nam as a case study for a number of reasons. Viet Nam has become less dependent on ODA, achieving LMIC status in 2009. It is now classified as a 'blend country' for access to World Bank and Asian Development Bank (ADB) loans, with several bilateral partners planning their exit from the country. This means that Viet Nam is eligible for assistance from the World Bank's soft-loan facility, the International Development Association (IDA), but also creditworthy for some borrowing from the International Bank for Reconstruction and Development (IBRD). The mid-term review of the IDA in 2015 included a discussion of Viet Nam's situation in the next round of IDA replenishment. It could either drop out of IDA or remain as a blend country. For the ADB, Viet Nam is expected to graduate in 2020 (ADB, 2012).

Viet Nam has troubled diplomatic relations with neighbouring China, usually the largest non-DAC bilateral donor (Greenhill et al., 2013). Viet Nam has issued three tranches of international sovereign bonds since early 2000s, all of them oversubscribed.

This case study builds on an earlier joint publication by the European Union, the Ministry of Planning and Investment (MPI) and the United Nations Development Programme but explores in greater depth the political economy of relations between providers of development finance and the Government of Viet Nam. A forthcoming synthesis report will compare the experience of Viet Nam with that of Kenya, Laos and Uganda, which were also selected for this phase of the project.

Research in Hanoi took place between 19 and 30 January 2015, in collaboration with Dang Thi Thu Hoai and Bui Thi Phuong Lien from the Central Institute for Economic Management. This included semi-structured interviews with 59 key informants.

2 Influence of country context

Several elements of the economic, political, governance and aid-management context have shaped the negotiating capital of the Government of Viet Nam. In turn, this has influenced its negotiating strategy with providers of development finance. This section highlights key factors in this process.

Viet Nam's strong results in development effectiveness and visible improvements in human development indicators made the country a 'donor darling'. First, the proportion of the population living in extreme poverty fell from almost 60% in the early 1990s to below 10% in 2010 (World Bank, 2013) and the country is well on track to meet most, if not all, of the Millennium Development Goals. Second, impressive economic growth raised the economic and commercial interest of bilateral partners, some of which are seeking to strengthen economic cooperation with Viet Nam.

While it is among the top recipients of ODA, Viet Nam is not an aid-dependent country. In 2013 Viet Nam received the third-largest amount of ODA of any country, after Afghanistan and Myanmar (OECD, 2014). However, ODA represents only a small share of the country's gross domestic product (GDP) – ranging from 2.5% to 3.5% between 2002 and 2013 (OECD, 2014). ODA accounts for only 15–17% of the state investment budget (MPI, 2013) and FDI and remittances together account for twice as much as ODA, which would suggest that Viet Nam starts from a strong negotiating position vis-à-vis development partners.

Viet Nam graduated to LMIC status in 2009 and is now classified as a blend country. This shift will affect the composition of the country's development finance from multilateral and bilateral donors. ODA is expected to fall but other financing options are expanding, especially from less concessional and private sources.

- The share of concessional loans in bilateral ODA has increased from 46% in 2003 to 70% in 2013 (OECD, 2014).
- Several traditional donors, such as Denmark, Sweden and the United Kingdom, are phasing out their programmes in Viet Nam.
- Since 2010 Viet Nam has financed its national strategy, increasingly leveraging OOFs, that is official transfers that do not qualify as ODA due to too small a grant element and/or a non-development primary purpose.

In 2013 these flows accounted for more than \$2 billion (ODA was \$4.7 billion in the same year).

- Given Viet Nam's improved human development indicators, international non-governmental organisations and philanthropic organisations are expected to shift their support to countries facing greater needs and challenges.

Viet Nam was notable for its engagement with the aid-effectiveness agenda in the past but this might no longer be the case. Viet Nam was the first country to localise the 2005 Paris Declaration on Aid Effectiveness (Hanoi Core Statement on Aid Effectiveness) and was particularly active in implementing the aid-effectiveness agenda. Viet Nam was also one of the eight pilot countries for the One UN approach. Several interviewees mentioned that efforts towards achieving this agenda have since declined.

Viet Nam and China, both socialist and one-party governments, demonstrate strong economic cooperation but diplomatic relations remain tense. As socialist countries, China and Viet Nam share a similar political and economic system. China is one of Viet Nam's top trading partners and increasingly invests in the country. Diplomatic relations, however, have a troubled history since the Viet Nam war and a military dispute over the northern Vietnamese border in 1979. The territorial disputes in the South China Sea, which is rich in oil and gas and an important shipping route, further exacerbated diplomatic relations.

The private sector is small; the Vietnamese economy is dominated by state-owned enterprises (SOEs) and the business environment has not improved. The Government of Viet Nam is continuing to reform SOEs and their access to capital but more slowly than expected. The private sector is still weak. SOEs have an advantage over private companies through better access to capital from on-lending from the government (World Bank, 2011). While Viet Nam's business regulatory environment scores slightly above the LMIC average as measured by the World Bank's Country Policy and Institutional Assessment, it has not improved since 2005.

Rising public debt may limit Viet Nam's ability to borrow externally. A decline in economic growth at the time of the global financial and economic crisis, plus lower income tax and tariffs, led to a drop in government revenues between 2007 and 2013. Both trends contributed to a rising fiscal deficit and an increase in public debt from

45.6% of GDP in 2007 to 51.6% in 2013. The latter was mainly due to domestic liabilities. While the latest IMF-WB debt sustainability analysis indicates that Viet Nam is at low risk of debt distress, it is predicted that the level of public debt will reach 60% in 2015 and the official limit of 65% of GDP in 2016. This official limit is defined in the Socio-Economic Development Plan and approved by the National Assembly. Once the limit is reached, the Ministry of Finance may be unable to borrow more externally unless the National Assembly raises the debt ceiling, therefore limiting the absorptive capacity of both concessional and non-concessional loans.

Climate considerations are likely to be relevant for Viet Nam's future development. Viet Nam is among the 30 countries worldwide at extreme risk according to the Climate Change Vulnerability Index – with around 70% of its population at risk of natural hazards. Also, Viet Nam is expected to become a major greenhouse gas emitter.

About 25% of its energy supply currently comes from hydropower but further development potential is limited. With demand growing even faster than GDP it is unlikely that the country will sustain this mix in future; the share of coal in the energy supply is expected to increase from 17% in 2010 to almost 60% in 2030 (MPI et al., 2014).

3 Development finance in Viet Nam

This section reviews the evolution of development finance beyond ODA to Viet Nam since 2002. Sources include international sovereign bonds, bilateral non-DAC donors and OOFs, philanthropic assistance, multilateral climate finance, and other private flows such as PPPs. Total development finance includes ODA plus these other flows.

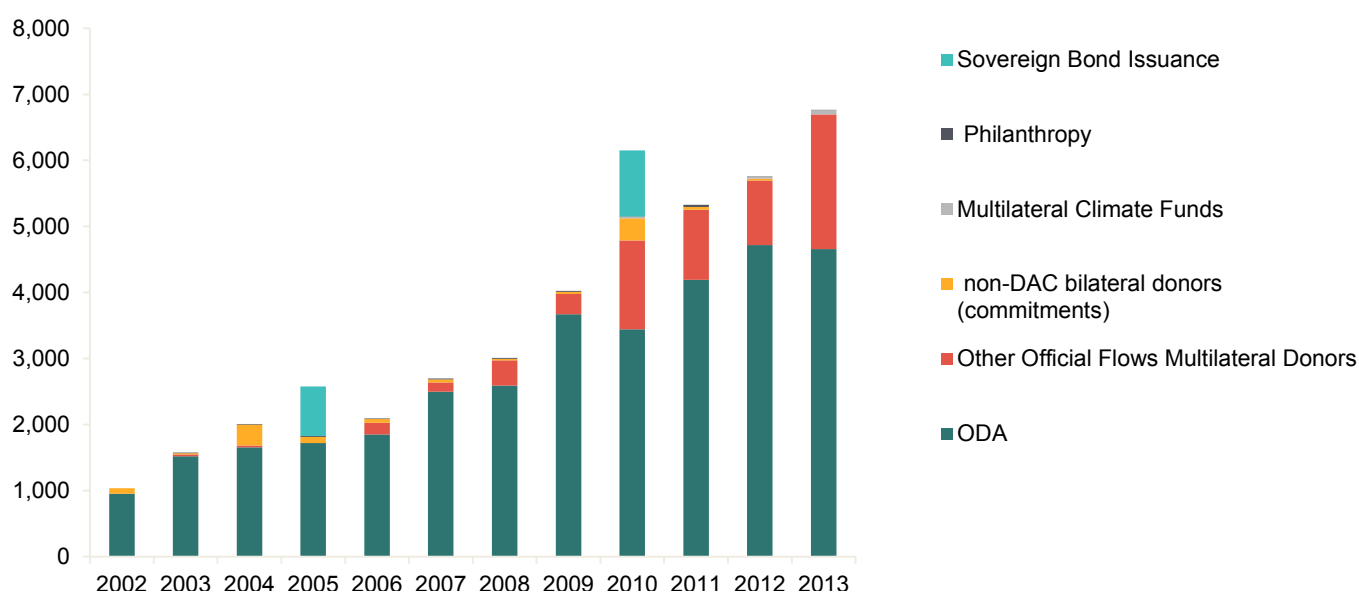
3.1 Overview

Development finance flows beyond ODA increased steadily between 2002 and 2013. In 2002 they were less than \$90 million and 8.5% of total development finance as defined here. Since 2010, after Viet Nam's graduation to LMIC status, this share became considerably more important, accounting for a third of total development finance, on average. Additional resources completed ODA flows, which increased up to 2012 and levelled off in 2013, despite Viet Nam graduating into MIC status (as ODA flows as a share of GDP remained pretty stable, see Section 2).

The main factor behind rising flows beyond ODA is less-concessional loans (such as OOFs) (see Box 1 on the definition of concessionality in Viet Nam). OOFs accounted for almost 70% of flows beyond ODA in the period 2010-2012 (Figure 2). The second-largest source is international sovereign bonds (20%). Data are available for most of the flows up to 2013 so the analysis in Figures 1 and 2 does not include the 2014 bond issuance of \$1 billion. Bilateral non-DAC donors account only for 8% of development finance beyond ODA (much lower than in other countries reviewed in this project); philanthropic assistance and multilateral climate funds account for only 1% and 2% respectively.

Viet Nam has received OOFs (see Annex 1) since 2003 but the amount was very small until 2009. It slowly increased from \$26 million in 2003 to over \$300 million in 2008 and 2009. In 2010 OOFs jumped to over \$1 billion, since when the annual average is \$1.3 billion, roughly equally split between bilateral and multilateral sources.

Figure 1: ODA and other development finance to Viet Nam, 2002-2013



Sources: OECD aid statistics; MPI (2013); Foundation Center Database; Climate Funds Update Database; AidData.

Notes: ODA includes: ODA in form of grants and concessional loans from DAC donors and multilateral organisations net of multilateral climate funds. Flows beyond ODA include: aid from non-DAC donors, multilateral climate funds, philanthropic assistance and sovereign bonds. The latest international sovereign bond issuance in 2014 is not included in this graph.

Box 1: Defining official development assistance (ODA) and other official flows (OOFs)

The OECD-DAC classification of ODA covers finance provided by official agencies, including state and local governments, or their executive agencies which is: (a) administered with the promotion of the economic development and welfare of developing countries as its main objective; and (b) concessional in character and conveys a grant element of at least 25% (calculated at a rate of discount of 10%). OOFs do not meet either or both of these conditions. In December 2014 the DAC High-Level Meeting revised the criteria for concessional loans, so that only the grant element will now be counted as ODA, and a new set of discount rates and risk adjustments is to be based on the income classifications of the recipient countries (OECD-DAC, 2014).

To ensure consistency with the other case studies, this case study does not use the classification adopted by the Government of Viet Nam in Decree No. 38/2013 on Management and Use of Official Development Assistance (Government of Viet Nam, 2013), which is its main reference to ODA management. The non-refundable ODA indicated in Decree No. 38/2013 refers to ODA grants. Vietnamese legislation differs from DAC rules as the minimum grant element for defining a loan as concessional takes into account whether the loan is tied, and the grant element should be at least 35% of the value of binding loans or at least 25% of the value of non-binding loans (Article 3c, 1b and 2).

The main providers of OOFs to Viet Nam are the Korean ExIm Bank (KEXIM), ADB and IBRD. KEXIM provides the most, and has since 2006 disbursed almost \$3.3 billion, half of total OOFs for the 2006-2013 period. The largest KEXIM loan was in 2013 for the construction of a new thermal power plant for \$300 million and an additional \$270 million guarantee for a loan with the Tokyo-Mitsubishi Bank. OOFs from other bilateral agencies amounted to \$318 million between 2001 and 2013.

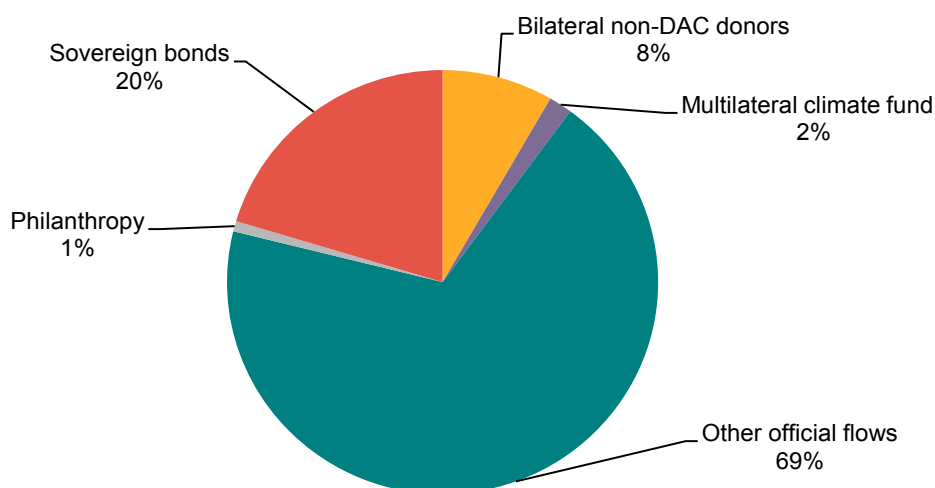
The ADB provided \$1.7 billion between 2010 and 2013 (about 31% of total OOFs to Viet Nam over this period) mostly in the transport and energy sectors. The interest rate is currently the LIBOR six-month rate with a 0.5% surcharge, an average maturity limit of 19 years and a variable grace period. The second main multilateral provider is the IBRD, which has transferred a total of \$1.2 billion since 2010, when it made its first loan to Viet Nam. The IBRD loans are also for projects in the energy and transport sectors, with an interest rate of 2.4% at a maturity of 25 years and a ten-year grace period.

3.2 International sovereign bonds

The Government of Viet Nam has increased its presence in the international capital market and issuances take place every five years on average. Three tranches of international sovereign bonds have been issued with a good response from investors; interest rates have declined over time. The first issuance was in 2005 with \$750 million at 7.12% interest rate, the second and third, each with a value of \$1 billion, were issued in 2010 and 2014 with interest rates of 6.75% and 4.8 % respectively.

We understand that the Government of Viet Nam plans to issue international sovereign bonds more frequently in future. Those sovereign bonds were intended for on-lending to private enterprises and SOEs. Money raised in the international market previously went to SOEs, with the last bond mainly intended for debt restructuring. While the previous issuances have been in US dollars, the Government of Viet Nam is considering an issuance in yen following the example of other countries in the region such as Indonesia (2009 and 2010), the Philippines (2010) and Mongolia (2013).

Figure 2: Shares of development finance to Viet Nam beyond ODA, 2010-2012



Sources: OECD aid statistics; MPI (2013); Foundation Centre Database; Climate Funds Update Database.

3.3 Bilateral non-DAC donors

Development finance flows from bilateral non-DAC donors to Viet Nam are low, especially compared to other case-study countries within this project (Schmaljohann and Prizzon, 2015). Figure 2 shows that bilateral non-DAC donors accounted for 8% of development finance beyond ODA over 2010-2012. Volumes of Chinese assistance to Viet Nam are lower than in other countries reviewed, except Ethiopia and small island economies such as Fiji and Vanuatu. In many other cases, China is usually the main source of the rise in development finance beyond ODA (providing up to 90% of these flows).

Beyond China, bilateral non-DAC providers of development finance (both concessional and non-concessional) to Viet Nam include India and Kuwait. In addition, Thailand has a small bilateral programme. Several Eastern European countries, such as Estonia and Hungary, have small-scale development programmes with Viet Nam, mainly providing technical assistance and training. Several interviewees mentioned Russia as an emerging provider, although we could not secure specific information on the volume of its assistance.

China

Chinese assistance to Viet Nam (as both ODA-equivalent and OOF-equivalent flows) is far smaller than from any main DAC donor (and its rank here is explained by the even smaller portfolios of other non-DAC donors). According to interviewees, cooperation between the two countries is influenced by their political relationship (see Section 2) and there is little publicly available information on Chinese assistance. Figures might be higher than those presented here. China provides a mix of grants and concessional loans mainly for capacity development and infrastructure but also emergency assistance. In the past, China's assistance to Viet Nam also included interest-free loans.

Human resource development is an important part of the cooperation portfolio. The two countries have similar political and economic systems. Viet Nam often sends government officials and SOE managers to China for training courses and China also provides technical assistance and advisory services, for example management courses for SOEs. They are grant-financed in most cases.

Loans of the Export-Import Bank of China signed finance infrastructure development. Loan-financed projects include, for example, a metro line, a power plant and the development of a fertiliser plant. For the latter in the Ninh Binh province, China provided a loan of \$250 million in 2004. In 2004 and 2005, China also agreed to support the modernisation of railway-signalling and telecommunications systems costing \$130 million, with an

interest rate of 3%, a five-year grace period and maturities of 18 and 15 years respectively. A fourth big project is the building of the Vinh Tan 2 power plant in Binh Thuan province. In December 2010 the Export-Import Bank of China signed a \$300 million loan to fund 85% of the investment of this project.

Finally, China also provided disaster-related and humanitarian aid. At the time of the avian influenza epidemic it supplied vaccinations and equipment worth more than \$100,000 to Viet Nam, and in 2010 China provided \$60,000 in the wake of severe flooding.

India

Viet Nam's cooperation with India dates from the 1970s and consists of in-kind support, capacity-building and concessional loans. This link is based partly on historical ties and partly on India's support to the ASEAN group. Together with Cambodia, Laos and Myanmar, Viet Nam belongs to the group of four countries (the so-called CLMV group) facing the largest development challenges within the ASEAN group.

India provides in-kind aid to Viet Nam. Examples are the donation of a supercomputer worth about \$750,000 in 2013 and the establishment in 2011 of an advanced information and communication technology (ICT) centre costing \$2 million. Capacity development is, however, the major element of the cooperation with Viet Nam, especially through the Indian Technical and Economic Cooperation Programme (ITEC). ITEC offers short-term training courses in India on different subjects, depending on the request made by the recipient country. Viet Nam is among the top recipients of scholarships offered by the ITEC programme. In 2013, the number of places obtained by Viet Nam doubled to 150 for civil servants and 50 for defence personnel.

India has provided 17 concessional loans worth about \$165 million for infrastructure and defence in Viet Nam. The biggest recent Indian-financed projects have been the Nam Chie hydropower plant with a credit line of \$45 million in 2008, and a loan of \$19.5 million in 2013 to build the Binh Bo pumping station and the Nam Trai-IV hydropower project. In addition, in 2013 India offered Viet Nam a \$100 million credit line for defence equipment, further extended in 2014. Concessional loans are usually provided by the Indian ExIm Bank with conditions depending on the income level of the recipient country. As an LMIC, Viet Nam receives loans at an interest rate of LIBOR + 0.5%, a maturity of eight years and a two-year grace period.

Box 2: Assistance to Viet Nam from international NGOs

International NGOs and philanthropic foundations are managed by the People's Aid Coordination Committee (PACCOM). All such organisations must register with PACCOM and apply for a permit to work in the country. Each international NGO has to report its planned projects, including project partners and financial sources for the length of the permit. Permits are valid for one to five years. Registered organisations report six-monthly to PACCOM on their activities. This process is reported to be time-consuming, and permits may be denied if the international NGO and PACCOM cannot agree on the project plan. PACCOM has a four-year strategy for promoting international NGO activities, outlining in which sectors they should work. PACCOM facilitates the activities of international NGOs by providing information on national partner organisations and by helping with administrative, legal and technical issues.

Their programmes are partly financed via ODA but, according to Vietnamese regulations, international NGOs may not receive funding directly from organisations in Viet Nam, and so this usually goes via the donors' headquarters. The DAC-reported share of ODA via NGOs of about 3% in 2013 refers therefore mainly to national NGOs. According to interviewees, only a small number of international NGOs have developed activities in capacity-building and governance issues.

The rise of national NGOs and phasing out of traditional donors reduces funding opportunities. In addition, international NGOs are closing down or merging, and their activities may decline in the future as they redirect their activities towards low-income countries. However, the Government of Viet Nam values assistance from international NGOs and philanthropic organisations and has developed a strategy for use of the funds they provide. For example, the strategy specifies the areas where funds are most needed. According to interviewees, the Government of Viet Nam tries to use international NGOs to fill gaps left by other donors. Furthermore PACCOM is actively approaching such organisations through its external missions in order to make the case for the country's needs. The NGOs' main focus is on health, education, community development, social issues and climate change. More than 1,000 international NGOs are registered with PACCOM, of which around half remain active.

Kuwait

Kuwait has been providing development assistance to Viet Nam since 1976 through the Kuwait Fund for Arab Economic Development (KFAED), which has provided 11 loans since 1979, with another under negotiation. The total value of the loans is around \$135 million, with a significant increase since 2006 when six new loans were signed totalling \$64 million. The main project areas are agriculture, irrigation and rural roads. The interest rates are between 2.5% and 4% (higher than IBRD loans at 2.4%), grant elements range from 39% to 55% and the loan period is usually between 20 and 25 years (in line with IBRD loans) with a grace period of three to seven-and-a-half years (shorter than IBRD loans), depending on the loan period.

Thailand

Thailand established its bilateral cooperation programme in 1994. It has two cooperation agencies: Thailand International Development Cooperation Agency (TICA), based in the Ministry of Foreign Affairs, and the Neighbouring Countries Economic Development Cooperation Agency (NEDA), supervised by the Ministry of Finance. TICA is in charge of grants-based programmes with a focus on capacity development and training whereas NEDA provides financial support in the form of concessional loans for economic development.

Cooperation between Thailand and Viet Nam through TICA has been via grants and scholarships. Between 2004 and 2011 the volume of grants was small and scholarships to the value of about \$8 million were offered in the fields of agriculture, education and health.

NEDA has also recently established relations with Viet Nam and conducted a feasibility study for flood-protection investment in Ho Chi Minh City. The current costs of the project are estimated at \$66 million to be financed via a concessional loan from NEDA. The usual terms of NEDA loans are an interest rate of 1.5%, with a grace period of ten years and a maturity of 20 years.

3.4 Philanthropic and NGO assistance

Philanthropic assistance to Viet Nam accounted for less than 1% of development finance beyond ODA. Between 2003 and 2011, philanthropic assistance averaged around \$10 million per year, and dropped to only \$2 million and \$4 million in 2012 and 2013. It is mostly provided by large US foundations: the Bill and Melinda Gates, Rockefeller and Clinton Foundations all have programmes in Viet Nam, mainly in the health and education sectors. In 2010 the Ford Foundation closed its Viet Nam country office due to budget cuts, and 2011 was an exceptional year as philanthropic assistance from the US reached \$35 million thanks to a \$30 million Bill and Melinda Gates Foundation project.

According to interviewees, foundations often work directly with central government ministries providing support to NGOs for grassroots-level projects. For example, the Rockefeller Foundation provides direct funding to the Ministry of Health to develop the health system or for training activities and the Bill and Melinda Gates Foundation supported the Ministry of Information and Communication to scale up public internet access. Box 2 provides further details on support from international NGOs. This is not included in the project analysis because it largely overlaps with bilateral ODA and usually lies beyond government control. However, the Government of Viet Nam sees international NGOs as important contributors to development programmes.

3.5 Climate finance

Although Viet Nam is highly exposed to the risks of climate change, climate finance remains low (albeit increasing). These multilateral funds are partly financed via bilateral ODA (and are excluded from ODA in Figure 1 to avoid double counting). Overall, multilateral climate finance has expanded since 2009 (see Annex 1), having provided \$3 million to Viet Nam in 2009 and \$68 million in 2013. But with only 1% of development finance beyond ODA in that year, the volume of external support for climate change adaptation (CCA) is still marginal in the context of the country's vulnerability. In fact, according to a recent review of public expenditure on CCA (Government of Viet Nam, 2014), two-thirds of activities are financed from domestic resources and only one-third by foreign development agencies, about 72% of which is for mitigation projects.

The Government of Viet Nam is preparing to access the Green Climate Fund (GCF). The MPI, the main government body on green growth, is the designated authority for the GCF and so will submit funding

proposals. It remains to be seen which institutions will be the national implementing agencies that can receive GCF funds. Belgium, in cooperation with the MPI, is developing a facility to channel donor assistance to green-growth projects. The GCF currently has large commitments at the global level (more than \$10 billion committed at the time of writing). Figures for climate change financing to Viet Nam are therefore expected to increase in the near future.

3.6 Public-private partnerships (PPPs)

The Government of Viet Nam sees potential for stronger private-sector involvement, including PPPs, which are seen as an opportunity to develop a comprehensive and modern infrastructure system as envisaged in the Socio-Economic Development Plan (Government of Viet Nam, 2011). Viet Nam already has experience with project financing through private entities in the form of 'build-operate-transfer' (BOT) and 'build-transfer-operate' (BTO) arrangements.

A PPP unit was established in 2012 in the MPI. The unit is in charge of setting PPP regulations and policies and has developed a PPP decree that was expected to become effective in April 2015. Previously, there was only a decision for pilot PPPs and for specific forms such as Build-Transfer-Operate (BTO), Build-operate-transfer (BOT) and Build-Transfer (BT) projects. The new regulation sets out a PPP cycle including the publication of project proposals, preparation of feasibility studies laying out the value for money of the project, and a competitive bidding process for investors. The decree also defines eligibility criteria for PPPs, e.g. alignment with the Socio-Economic Development Plan' and the sectors that can be financed via PPP arrangements. It further allows for more types of PPP. At present, five pilot PPPs are in the pipeline and feasibility studies are currently underway. We understand that one of the projects is supported by a World Bank loan.

4 Arenas of negotiation

This section describes the main arenas in which Government of Viet Nam seeks to engage with different providers of development assistance. The focus is on arenas related to in-country aid coordination (e.g. sectoral or technical working groups and regular high-level donor–government meetings), as these are often key fora in which donors and government engage in discussing sectoral strategies, project identification, policy dialogue and conditionalities. We wanted to review the extent to which providers of development finance beyond ODA (notably non-DAC donors and philanthropic organisations) participate in these arenas which are primarily used to manage traditional development assistance. We end the section describing how the Government of Viet Nam engages with the less-traditional providers.

The Ministry of Planning and Investment (MPI) is the central agency for aid coordination. It is responsible for the mobilisation, regulation, management and use of ODA and concessional loans. Its annual list of proposed ODA projects has to be approved by the prime minister. Line ministries can discuss project ideas with donors and send the proposal to the MPI with or without the proposed funding. In January 2013 a National Steering Committee on ODA and concessional loans was created to support the prime minister with setting policies and direction for the mobilisation, management and use of ODA and concessional loans. The MPI is in charge of signing grant agreements, and concessional loans are negotiated and signed by the Ministry of Finance (MoF). This division of labour between planning and finance ministries is similar to that in other countries in this project (see Prizzon (2014) on Papua New Guinea). For historical reasons, the State Bank of Viet Nam proposes World Bank and ADB loan contracts for the prime minister's signature.

In Viet Nam, each sector ministry has a department for international cooperation and overall management of development assistance, centralised in the MPI. These departments are in charge of coordinating with external providers of finance, and identify and discuss possible projects and interventions in their sector with donors. Projects are reported to the MPI to be included in the ODA list with final approval resting with the prime minister. The list is expected to include all proposed projects from DAC and non-DAC member countries, and the MPI reviews it and seeks a suitable donor if the sector ministry has not been able to do so. The MPI also ensures that the list includes only projects that comply with development priorities. After consultations with the MoF, the Ministry of Justice

and others on the financial and developmental viability of the projects, MPI seeks the prime minister's approval. The state president also approves international commitments, including those relating to ODA and concessional loans according to the Constitution issued in 2013.

A structure whereby each line agency has a dedicated office to manage development assistance and the MPI coordinates the list of ODA projects has two main advantages: it allows the MPI to fill potential gaps and to ensure that the list complies with development priorities. Compared to other countries analysed in this project (Greenhill et al., 2013; Schmaljohann and Prizzon, 2015), this structure aims to strengthen information sharing and scrutiny at the central level. This approach ultimately aims to ensure all ODA projects are on budget, which improves planning and alignment with national priorities. Since ODA to Viet Nam is expected to decline, the challenge for the government is to reform this structure to expand the development finance managed at both central and line-agency levels, possibly to cover OOFs in the relevant sectors.

According to several interviewees, however, the participation of so many bodies in the approval process creates long delays between the submission of the proposal and the final approval and start of the project. Delays in implementation and disbursement of ODA have also been an issue in Viet Nam in the recent past and were the subject of discussions in 2014 between the Government of Viet Nam and donors on how to improve matters by facilitating regulations and processes. Complex legislation and processes as well as capacity constraints to manage ODA are major factors in such delays.

Coordination between government and development agencies and among these agencies in Viet Nam is currently structured as follows:

- The Viet Nam Development Partnership Forum (VDPF): The VDPF is a high-level policy forum co-chaired by the MPI and the World Bank, and meets annually. The VDPF replaced the Consultative Group Meeting in 2013, shifting the discussion from mobilisation of development assistance to supporting policy discussions on development challenges between the Government of Viet Nam and its donors. Participants are Government of Viet Nam representatives, donors (about 20) and international NGOs. The agenda is agreed between the Government of Viet Nam and the donors. Technical working groups prepare and discuss the agenda topics

in advance. These working groups also support the implementation of the VDPF decisions.

- **Sector Working Groups (SWGs):** Coordination often takes place at the level of SWGs. These are usually co-chaired by the relevant ministry and a donor agency (on a rotating basis) and take place three or four times a year. During these meetings, agreed topics of relevance for the sector are usually discussed. As far as we understood from interviews, these meetings do not discuss specific project proposals, which are managed on a bilateral basis. Dynamism and effectiveness apparently vary between SWGs, with the health sector group being one of the best organised. Concerning the working group on climate change, there were contradictory positions among the interviewees regarding the effectiveness of coordination in this area. International NGOs might participate in the SWGs depending on the sector and the topic discussed.
- **Donors' group:** Donor agencies meet monthly, chaired by UNDP and the World Bank. About 20 agencies participate in these meetings.
- **Six-banks group:** This group was created in 2002 and consists today of the ADB and World Bank, and four bilateral agencies providing concessional loans (International Cooperation Agency (JICA), the German Kreditanstalt für Wiederaufbau (KfW), the French Agence Française de Développement (AFD) and the Korean ExIm Bank).
- **International NGO meetings:** The VUFO-NGO Resource Centre is co-headed by the Viet Nam Union for Friendship Organisations (VUFO) and supports NGOs on administrative matters and coordinates international NGOs in-country. In the 18 working groups under the Centre, the NGOs organise themselves in thematic areas and discuss their activities in the sector. While membership of the Centre is open only

to international NGOs, working groups are open to participation from the private sector, philanthropic organisations and donors, facilitating coordination between the different parties.

- **Viet Nam Business Forum:** This coordinates cooperation with the private sector and was initiated by the International Finance Corporation and the World Bank, which handed the secretariat over to a business consortium in 2012.

Non-DAC donors do not usually participate in coordination meetings. Non-DAC donors (China, India, Kuwait, and Thailand) participate in the VDPF, although not actively according to interviewees and to the Asia Foundation (2014). Non-DAC donors tend not to participate in the SWGs, as they often see their interventions and projects as so small and specific that they do not see a need for coordination. Both DAC and non-DAC donors, however, seem interested in better information and knowledge-sharing about each other's activities. The Government of Viet Nam seems to be neutral on this question. Furthermore, the Government of Viet Nam uses the same coordination mechanisms to engage with traditional donors when they provide non-concessional finance. Unsurprisingly, dialogue is based on actors rather than the nature of the instrument.

The Support Programme to Respond to Climate Change (SP-RCC) is a platform for dialogue between the Government of Viet Nam and development partners. In this programme the government and donors (including JICA, AFD, the World Bank and Korean ExIm Bank) agree annually on actions related to climate change. According to the recent Climate Public Expenditure and Investment Review, SP-RCC helped to bring together donors and ministries working on climate change and facilitated policy dialogue.

5 Government priorities

This section reflects on the Government of Viet Nam's priorities for the terms and conditions of development finance – specifically the qualitative aspects the government seeks to achieve in negotiating with the providers of development finance. The main reference points for Government of Viet Nam's financing strategy are Decree No. 38/2013 on Management and Use of Official Development Assistance (ODA) and Concessional Loans of Donors (Government of Viet Nam, 2013) and the Socio-Economic Development Plan (SEDP 2011-2015) (Government of Viet Nam, 2011). This is nested within a ten-year development strategy (the 2011-2020 Socio-Economic Development Strategy) and annual action plans. The former sets the principles for effective mobilisation and management of ODA grants and concessional loans as well as priority sectors for ODA. The latter outlines a strategy for resource mobilisation and effective use of resources, especially the orientation of investment expenditure by source of financing. Section 6 looks at the results of these arrangements.

The Government of Viet Nam is aware that concessional finance will be phased out as its economy develops and the national strategy aims to mobilise the maximum volume of concessional resources. This applies both to bilateral and multilateral donors and to non-government aid. At the same time the country seeks to prepare for declining concessional finance by establishing itself in the international capital market in order to minimise its dependence on concessional flows. ODA is expected to fall significantly, but the Government of Viet Nam still has large financing needs and has a policy on the level of aid required. There is no target as a share of GDP, but the ODA Strategic Framework estimated the demand for ODA grants and concessional loans from donors in 2011-2015 to be about \$32-34 billion in commitments (and \$14-16 billion in disbursements), equivalent to 6% of total investment.

The Government of Viet Nam has a clear financing strategy to manage different sources of external finance to support the national development strategy, and has priorities for the financial criteria and sectors of intervention for each source. Decree No. 38/2013 and the SEDP 2011-2015 highlight the financial criteria for each source (state budget/government bonds, state credit investments, ODA, SOEs' investments, private sector and FDI) and the sector it should finance. None of these documents outlines different treatment of or engagement with DAC and non-DAC member countries.

Four criteria affect the mix of development finance sources:

1. Concessional loans are considered for programmes or projects that can directly recover capital (Art.6 c. 3). The government budget is to be used for projects that are strategic for the nation and economic zones but lack the necessary return to cover investment costs and also for difficult areas, such as remote areas and provinces with ethnic minority populations or that are prone to natural hazards (GoV, 2011: 52).
2. There is a preference for ODA with rates lower than those of the international financial institutions, such as the World Bank and the ADB (GoV, 2011:50).
3. ODA should be used for projects that are critically important and for which private finance cannot be mobilised, serving to attract private-sector finance through PPPs (GoV, 2011: 51).
4. Private investment in infrastructure should be mobilised where the economic return is sufficiently high, through instruments such as BOT (build-operate-transfer), BT (build-transfer) or PPP (GoV, 2011: 52).

At the sector level, both Decree No. 38/2013 and the SEDP 2011-2015 prioritise sectors for ODA interventions and concessional loans, notably infrastructure such as ICT, energy, water, social infrastructure, rural and agricultural development, advanced science and technology, environment protection, climate change adaptation and mitigation, and institutional strengthening. Despite the policy focus on addressing the negative impacts of climate change, this sector was not identified as a priority until recently with the introduction of the Support Programme to Respond to Climate Change and the release of a Green Growth strategy.

Capacity development and technical assistance is valued. The Government of Viet Nam expressed the need for both financial support (especially for infrastructure projects) and technical assistance in sectors where it lacks sufficient expertise (for instance, for infrastructure projects such as highways, according to one interviewee). From interviews with government officials it appears that few external agencies engage with technical assistance. One interviewee raised the point that the Government of Viet Nam gives increasing importance to capacity development, as some providers of development assistance are phasing out their support, and wants to ensure continuity in the event that project implementation units are withdrawn.

The Government of Viet Nam championed the aid-effectiveness agenda. While the Hanoi Core Statement on Aid Effectiveness covered five key principles, the two top priorities expressed by government officials regarding development finance were ownership and alignment to national priorities. All projects have to comply with the priorities set out in the five-year Socio-Economic Development Plan, the annual plan and those specified in the decree on the use of ODA grants and concessional loans. According to interviewees the preparation of the ODA list helps to align projects to government priorities; we understand that projects that do not fulfil these requirements have been declined.

In many countries, speed of delivery of finance is important for the government – and an area in which non-DAC bilateral donors usually scored well. However, the Government of Viet Nam has not stated this preference. One reason might be the lengthy Government of Viet Nam internal processes, so that the procurement and safeguard policies are seldom the binding constraint in project negotiations. Similarly, one of the priorities that emerged in the interviews with government officials was the

preference for projects with low administrative costs and large interventions because of the length and complexity of project implementation and procurement systems for smaller projects.

The Government of Viet Nam seems to value both budget support and project aid without a preference for either one. Despite the multitude of donor agencies managing small projects, the Government of Viet Nam does not seem to enforce joint programmes. Only one sector ministry stated a preference for joint programmes in the case of very small donors. Several government officials expressed a preference for untied aid, something that did not emerge in other case studies conducted for this project.

As mentioned in Section 3, according to interviewees, there are several reasons why the Government of Viet Nam goes to the international capital market, accepting higher interest rates and other conditions than it would for non-concessional loans from MDBs. The Government of Viet Nam wishes to: establish the country on the capital market; tap a new source of finance; diversify risk; and access finance without policy conditionality.

6 Negotiation outcomes

The analysis of the economic, political and governance contexts in Section 2 highlighted the strong negotiating position of the Government of Viet Nam in relation to donors. This is especially because of its remarkable progress in reducing poverty and improving human development indicators, a long-standing engagement with the aid-effectiveness agenda, vulnerability to the effects of climate change, good economic performance (at least until recently) and a proactive approach to diversifying sources of external and domestic finance. Despite stable ODA flows since 2012, all these factors have strengthened the negotiating capital of the GoV, which managed to achieve most of the priorities for the terms and conditions identified in Section 5. The Government of Viet Nam does not express different priorities and/or preferences for traditional ODA donors and other providers of development finance, so the following considerations apply to both categories.

The Government of Viet Nam has strong ownership of the development agenda, ensuring the alignment of projects and programmes with national priorities. The process of negotiating ODA projects aims to ensure their alignment with government priorities. As stated above, projects have been turned down if they did not reflect Government of Viet Nam preferences or financing conditions (see also MPI, 2013). In addition, interviewees said that the government does not accept conditions with which it disagrees, especially with respect to policy reforms. The Government of Viet Nam enforces its priorities not only with official donors but also with international NGOs through the approval process via PACCOM. Viet Nam is an example of strong management of the activities of international NGOs: projects can be refused, but we gathered that such an occurrence is quite rare. In the past, the Government of Viet Nam has also resisted pressures from donors for greater freedom of the press and the development of civil society (Kharas et al., 2011).

The MoF is selective regarding loan-financed projects. In addition to selecting projects that accord with national priorities the MoF (in consultation with other relevant ministries) comments on the proposals, with a focus on economic feasibility. This review process helps to achieve clearly defined rules on which source of finance to use for which kind of project. The MoF emphasises the project's ability to generate sufficient returns to repay the costs. The interviews suggest that in this regard the MoF seems to be more selective regarding the repayment potential of loan-financed projects.

The Government of Viet Nam has pushed forward the poverty-reduction agenda, in some cases with priorities different from those of donors. According to Kharas et al. (2011) in the late 1990s, in the aftermath of the East Asia economic crisis, the Government of Viet Nam focused on

macroeconomic stabilisation rather than structural adjustment. The World Bank structural adjustment programme was interrupted and resumed in the early 2000s when the Government of Viet Nam went back to its reform agenda. The IMF Enhanced Structural Adjustment Facility programme was suspended as the Government of Viet Nam did not accept its conditions on the pace of the reform of its financial sector and the audits of the central bank (Kharas et al., 2011).

Since the early 2000s the Government of Viet Nam has issued three tranches of international sovereign bonds. The high demand for the sovereign bonds, which had lower coupon payments than predicted, shows the interest of the market in investing in the country. Past issuances helped Viet Nam to establish itself on the international capital market.

There were some instances when the Government of Viet Nam failed to achieve its objectives regarding external development finance. Here, we highlight four main examples.

First, not all projects are aligned with national priorities. While the project negotiation and lengthy approval process should ensure that projects are aligned with national priorities, some interviewees report some projects were included in the project list even though they were not in line with national priorities or financial conditions. There is no documentary evidence for this, however.

Second, the Government of Viet Nam has no strategy on the division of labour among donors that have promoted certain aspects of the development agenda. According to various interviewees, donors organise this among themselves and have specific areas in which they usually engage.

Third, lack of a clear and consistent strategy on climate change could be a reason for the low volume of climate finance. In Section 3.5 we showed that climate finance is very low in relation to the country's vulnerability to the impact of climate change. The Government of Viet Nam is well aware of this and has developed a strategy to respond to climate change and a Green Growth strategy, each with an action plan. The Green Growth strategy is led by the MPI while the climate-change agenda is the responsibility of the Ministry of Natural Resources and Environment. This division of responsibilities has, according to interviewees, caused ambiguity regarding core competences. Interviewees reported inconsistent coordination among donors, international NGOs and the government in the area of climate change: some mentioned a clear lack of coordination, while others expressed the opposite view.

Finally, there seem to be discrepancies between strategies and expenditure patterns for climate finance. According to the Viet Nam Climate Public Expenditure and Investment Review (GoV, 2014), the capacity to track public expenditure is weak and there is a large discrepancy between strategic directions and actual expenditure.

7 Conclusions

To summarise, the main messages, trends and recommendations emerging from the case study of Viet Nam are as follows.

Development finance flows beyond ODA steadily increased over the past decade from less than \$90 million (or 8.5% of total external development finance) in 2002 to more than \$2 billion (more than 30% of total external development finance) in 2013. This is related to the significant increase of less-concessional finance such as OOFs from multilateral institutions since 2010. The shift from blend status to hard windows of MDBs might take place at the next replenishment of the World Bank and ADB, meaning that the volume of OOFs might expand further in the medium term. At the same time, the graduation to LMIC status means financing options will be of reduced range and more expensive. Viet Nam will no longer be able to access grants and interest-free loans and several bilateral donors have been phasing out their programmes in the country.

Compared to other case-study countries in this project (see Schmaljohann and Prizzon, 2015), Viet Nam has small flows of ODA- and OOF-equivalents from non-DAC donors, representing just 8% of development finance beyond ODA or \$28 million in 2012. While the Government of Viet Nam clearly wishes to mobilise additional sources of development finance, there is no evidence to suggest that non-DAC donors might fill at least part of the financing gap or that the Government of Viet Nam is actively looking into this option.

This may be explained by the tense diplomatic relations with China, a relationship with China based on economic rather than development cooperation and the low level of official finance from other emerging countries such as India. In view of the small volumes of development assistance, there is no evidence that non-DAC donors contributed to increasing the negotiating capital of the Government of Viet Nam in relation to traditional donors, as was seen in Cambodia and Ethiopia (Greenhill, 2013; Prizzon and Rogerson, 2013).

While the Government of Viet Nam has increased its presence in the international capital market, sovereign bond issuances take place roughly every five years. The Government of Viet Nam sees this market as an alternative source of finance with increasing importance since Viet Nam attained LMIC status.

While the Government of Viet Nam has a publicly available and well-structured strategy to manage ODA and provides the list of ODA-funded projects on request, we recommend it publishes an annual development cooperation report. Publishing once again an annual development cooperation report might help ensure transparency, sharing information among government entities, donors and non-state actors, and also to identify opportunities to obtain access to and manage alternative external finance, especially given the predicted decline in ODA receipts. Information on international NGOs

and their contributions is particularly good in Viet Nam, and better than in other countries analysed in the Age of Choice project. This is largely explained by the registration and management by PACCOM.

Key government priorities for the terms and conditions of development finance largely reflect principles of aid effectiveness that the Government of Viet Nam has championed, notably ownership of the development agenda and alignment of projects with national priorities. The Government of Viet Nam exerts strong ownership of the development agenda, with the MPI playing a central role. The management of the ODA list by the MPI ensures coordination across ministries and scrutiny of projects to ensure compliance with national priorities. Interviewees reported instances when the Government of Viet Nam did not accept conditionalities with which it disagreed, especially with respect to policy reforms, but it has no strategy on the division of labour among providers of development finance. They are expected to coordinate between themselves as long as their projects and programmes are in line with the country's priorities.

The Government of Viet Nam has a clear strategy for accessing and managing different external sources of ODA grants and loans, with preferences for the type of finance most appropriate for each sector. Viet Nam is probably one of the first countries – at least of those reviewed for this project – to reflect on how to use ODA to catalyse private-sector investment and/or intervene where such investment is difficult to attract. However, in light of the expanding access to OOFs and non-concessional financing, we would encourage the Government of Viet Nam (and MPI in particular) to elaborate a new strategy factoring in criteria for project selection and allocation of these flows as well as including a policy on their financial management. The Government of Viet Nam strategy on ODA management factors in the role of ODA as a catalyst for private resources. However, we have found limited evidence – except for the case of PPP projects – for this role of ODA in practice.

Development finance in Viet Nam is likely to change in the near future, with a greater emphasis on less-concessional sources of finance and private finance, notably from international investors. The Government of Viet Nam is fully aware of this and clearly and effectively articulates its financing strategy for the use of ODA grants and concessional loans. This case study has aimed to offer an analytical basis and arguments for the Government of Viet Nam and its stakeholders to reflect on how to best to obtain access to and manage development finance beyond ODA, and to define a strategy to reduce dependence on ODA. The analysis has sought to offer lessons and good practices for other countries managing the transition from concessional to less-concessional financing.

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Annexes

Annex 1: Mapping external finance flows

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
ODA												
ODA DAC donors	950	1,521	1,655	1,716	1,848	2,494	2,577	3,668	3,457	4,181	4,731	4,713
Grants	628	941	1,187	1,251	1,443	1,641	1,865	2,360	2,216	2,504	3,140	2,867
Concessional Loans	281	479	548	609	785	844	929	837	920	885	906	839
ODA multilateral donors	347	461	638	635	652	794	926	1,516	1,289	1,558	2,212	2,019
Development finance flows beyond ODA	322	580	467	466	405	854	714	1,309	1,246	1,679	1,601	1,847
Other official flows multilateral donors	88	53	353	927	241	199	420	353	2,708	1,150	1,038	2,110
OOFs bilateral	-	26	26	2	178	139	382	306	1,342	1,060	976	2,039
OOFs multilateral	26	26	26	2	143	125	339	306	468	539	522	1,108
Non-DAC bilateral donors (commitments)												
Multilateral climate funds	88	18	319	158	54	50	21	31	339	56	28	0
Philanthropy	-	-	-	-	-	-	-	3	25	-	33	68
Sovereign bond issuance	9	7	7	17	10	10	16	12	2	34	2	4
Total external finance	1,038	1,575	2,007	2,644	2,089	2,693	2,997	4,021	6,165	5,332	5,770	6,823

Sources: OECD aid statistics (Creditor Reporting System), MPI (2013), Foundation Center Database, Climate Funds Update Database. Note: ODA figures are net of climate change financing from multilateral sources (which are ODA eligible).

Annex 2: List of interviewees

Name	Organisation
Maarten Jan Akkerman	Green Innovation and Development Centre (GREENID)
Nguyen Thi Khanh	Green Innovation and Development Centre (GREENID)
Phung Thi Huong	Viet Nam Environment Protection Fund (MONRE)
Duong Thi Phuong Anh	Viet Nam Environment Protection Fund (MONRE)
Nguyen Minh Chau	Ministry of Planning and Investment
Tran Thanh Long	Ministry of Planning and Investment
Vo Tri Thanh	Central Institute for Economic Management
Ho Viet Huong	Ministry of Finance
Tran Anh Vu	Ministry of Foreign Affairs
Le Van Tu	Ministry of Foreign Affairs
Nguyen Thi Hai An	State Bank of Vietnam
Nguyen Ngoc Thuyen	Ministry of Transport
Nguyen Anh Dung	Ministry of Transport
Le Viet Anh,	Ministry of Planning and Investment
Ha Thi Kim Nga	IMF
Victoria Kwakwa	World Bank
Keiko Sato	World Bank
Gerda Binder	CARE International Vietnam
Andrew Spezowka	UNDP
Koos Neefjes	UNDP
Bakhodir Burkhanov	UNDP
Tran Viet Lien	State Bank of Viet Nam
Ha Hai An	State Bank of Viet Nam
Antoine Vander Elst	Delegation of the European Union
Alejandro Montalban Carrasco	Delegation of the European Union
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YoHan Ko	Korean International Cooperation Agency
Marko Lovrekovic	VUFO-NGO Resource Centre
Katsuro Nagai	Embassy of Japan
Kenji Inoue	Embassy of Japan
Akiko Fujita	Japan International Cooperation Agency
Panyarak Poolthup	Royal Thai Embassy
Donlada Thongboon	Royal Thai Embassy
Srinivas Gotru	Embassy of India
Dominic Mellor	Asian Development Bank
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Jerome Meessen	Belgian Development Agency
Phung Van Quan	Belgian Development Agency

(continued)

Name	Organisation
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Huong Q. Nguyen	Viet Nam Development Bank
Pham Anh Dao	People's Aid Coordination Committee (PACCOM)
Nguyen Ba Hiep	People's Aid Coordination Committee (PACCOM)
Hoang Phuong Thao	ActionAid
Nguyen Thi Hai Binh	National Institute for Finance, Ministry of Finance
Le Thi Mai Lien	National Institute for Finance, Ministry of Finance
Nguyen Thi Le Thu	National Institute for Finance, Ministry of Finance
Tong Hoai Nam	Ministry of Health
Ngo Vu	Ministry of Health
Nguyen Viet Dung	Ministry of Health
Vu Hong Anh	Ministry of Agriculture and Rural Development
Nguyen Thi Thu Ha	Ministry of Planning and Investment (PPP)
Pham Thi Thanh Tu	Ministry of Planning and Investment (PPP)
Nguyen Ha Hue	Ministry of Agriculture and Rural Development
Nguyen Phuong Anh	Viet Nam Development Bank
Tran My Hanh	Viet Nam Development Bank
Le Thi Thuy	Viet Nam Development Bank
Do Thi Kieu Anh	Viet Nam Development Bank
Ho Viet Huong	Ministry of Finance – Department of Debt Management and External Finance
Nguyen Tri Phuong	Ministry of Finance – Department of State Budget and Finance



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ISSN: 2052-7209

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Cover photo: Reuters/Kham, 2011.
Workers repair an electric grid in Hanoi May 17, 2011.

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