

Country ownership and donor harmonisation: the Vietnamese experience

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Introduction

The following ideas derive from the findings of my research¹ on defining ownership and the role international donors can play in the development of Vietnam, both of which have direct implications on donor harmonisation and aid effectiveness. This research has received considerable attention from development researchers and policy-makers, as well as the donor community in Vietnam. What I hope to contribute to the discussion on donor harmonisation and aid effectiveness is a new approach that integrates the domestic politics of recipient countries and puts recipient perspectives at the core of any debate on the politics of foreign aid and the design of donor policies and aid interventions.

Vietnam is on its way to gradually emerging from aid reliance and becoming a low-middle income country. Furthermore, Vietnam has been held up as “the best practice” example of a country with strong government ownership of its own development agenda and aid management. The Chief Representative and Coordinator of the UN agencies in Hanoi went even further by saying that Vietnam was the world leader in aid effectiveness when he congratulated the country on its efforts to become a pilot country for UN reform. Donors have been adapting their aid programmes to align with the government’s development programmes and priorities. Together, these factors have made Vietnam an interesting case for the international donor community in its analysis of government ownership, government-donor policy dialogues, and donor coordination. Although some of these comments, based on the Vietnamese case study, may contradict the general debate on aid effectiveness and the issues of donor harmonisation, they can provide ideas on the importance of country ownership and donor diversity on aid effectiveness.

This article is divided into three parts. The first part comments on how the concept of ownership in the context of the domestic political environment of a recipient country should be defined. The second part provides some key institutional determinants of strong ownership and the domestic institutional arrangements in which aid relationships exist. Finally, the last part draws some conclusions on the importance of donor diversity in the case of Vietnam as well as implications for donor harmonisation.

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¹ Forsberg, Le Thanh. “Defining Strong Ownership – Institutional Determinants and Stakeholder Interests in Vietnamese Development Planning”, Lund: Studies in Economic History 43, Lund University, 2007.

Defining ownership within the context of domestic political institutions

Although the current development debate emphasises national ownership of the development agenda as a precondition for sustainable development and aid effectiveness, the ownership concept is insufficiently defined, since the general concept of ownership is often defined within the limited context of aid relationships. My findings suggest that the general concept of ownership cannot be defined solely within the limited context of development assistance and donor-recipient relationships. The concept of ownership in the international development debate mainly focuses on whether donors or recipient governments own development strategies which are directly linked to development cooperation. Defining ownership in such a way reflects only the interests and stakeholders involved in aid relationships.

Development aid may be important from donor perspectives, but it is only one of the relationships that define the context for development. The main argument of this comment is that development ownership needs to be carefully defined in a framework that goes beyond aid relationships to the country-specific domestic political environment and institutional arrangements, within which a government can interact with the interests of domestic and external stakeholders in planning the country's development. True development ownership in a developing country within which donors work must, therefore, be reconsidered in the broader context of the domestic political institutions and the overall setting for development planning in the recipient country, within which aid relationships are one of many important policy areas that a sovereign government implements. In principle, it is always the sovereign recipient government that owns its development outcomes, not the donors. However, within the recipient government, there may be several different interest groups that compete for influence, and that may have an impact on the character and direction of the development process. Rather than talking about ownership in general, it is therefore relevant to ask "whose ownership?" Thus, true development ownership has to reflect the institutional structure, asking: (a) in whose interests is it set up? and (b) what are the capacities of the stakeholders to influence it and eventually the outcomes of the development process.

Ownership in one-party authoritarian states differs from democratic countries or countries with institutions that allow broad participation of national stakeholders in the domestic development agenda and relations with external partners. Thus, the differences in political institutions and relations between the government and its internal and external interest groups in recipient countries constitute an important theoretical consideration for an analytical framework of ownership. This second point relates to the importance of the quality of ownership in each specific recipient country.

A definition of true ownership has to ask whose interests it represents - whether it mainly represents the interests of the state, the foreign donors or of the overall national stakeholder interests - and what kind of institutions are set up for the representation of those interests. It must ask whether they are mainly set up to represent the central state actors' interests or broad public and foreign actors to influence the design of policies. It is therefore important to distinguish between institutions that are set up to represent various stakeholders from those who claim to represent the general population's interests.

Vietnam has often been put forward as a good example of strong ownership of the development agenda and aid management. However, most studies have mainly analysed Vietnam's strong ownership from donor perspectives, dealing with an understanding of ownership limited to

relations between Vietnam as an aid recipient and its donors. Arguably, if Vietnam's ownership of its development agenda is to be used as a showcase for other recipient countries, it is necessary to look closely to what this ownership means and whom this ownership represents, and what factors are crucial to defining this ownership.

Conditions for good institutional set-up and aid management

Vietnam's strong ownership is significantly rooted in the national historical and political context. This should be distinguished from any context of present aid relationships.

The emergence of Vietnam's strong ownership of its own development agenda, and the way Vietnamese authorities have chosen to exercise this ownership, have been determined by the national historical and political context. The country's historical experiences of foreign domination, wars, and heavy dependence on the Soviet Union have resulted in a strong consensus since the mid-1980s that national sovereignty should be a priority in all relations with foreigners. In particular, policies and objectives were strongly influenced by the experiences of the aid relationship with the Soviet Union. The common Vietnamese perception is that Vietnam gave up too much of its autonomy in return for Soviet aid. This led to the view that it was important not to make the same mistake in relations with Western donors after the introduction of market-oriented reforms in the mid-1980s. Strong government ownership was necessary. Hence, independence, autonomy, and self-determination have been central elements of the country's development efforts and national ownership from that time. In fact, it can be argued that history mandated a strong focus on national ownership: allowing external actors to control the development agenda was never an option.

Apart from this underlying rationale of a strong ownership, historical and political factors also explain why this ownership was concentrated in the central government in Hanoi as a matter of safeguarding political sovereignty. The historical nation-divide between the north and the south makes national security and political unity an important issue in the country. Hence, an institutional setting for planning of development and aid integration has been built to make it possible to exercise strong government ownership. As a result, historical and political conditions allowed Vietnam to establish an institutional structure that gave the government the power to steer the development planning process in the direction it desired, and to unify various stakeholder interests (including those of foreign donors) with its development goals and policy preferences.

All aid resources and donor management have been integrated into the central planning undertaken by the same government body, the Ministry of Planning and Investment (MPI). This institutional setting gave the MPI a crucial two-pronged role. The first role was to exercise the central planning rules by which the government controlled and supervised the development planning process. The second role was related to its function as a central government stakeholder: it was the master planner and coordinating agent of various development interests in the state apparatus. In this second role, the MPI also acted as a central manager of ODA resources, which facilitated the integration of ODA into the government's central planning process. It was therefore relatively easy to streamline domestic resources and foreign aid towards priority uses with the MPI acting both as the government's central institutional instrument and as a core stakeholder in development planning. The MPI set the priorities while other central ministries and provincial and local government were invited to compete for the resources, including ODA. Consequently, this two-pronged role has in fact helped the government to maintain a large

degree of ownership over its development agenda through the overall development planning and coordination of all sectoral ministries in policy design and allocation of budget to major public investment programs. It can be argued that this system has given donors a direct window for policy dialogue with the government and helped the government to coordinate aid within its overall development planning.

The Vietnamese experience suggests that successful exercise of strong government ownership in donor management and in the integration of ODA into the country's development plans depends on the government's institutional capacity to play a careful game, involving knowledge about its own needs and strategic interests and those of different donors, and working selectively with donors according to their comparative advantages. Ability to match government interests with those of various donors has been a key factor for the government in achieving partnership. Hence, rather than applying a donor's development policy framework equally to every recipient, donors should take into account their own comparative advantages while engaging in policy dialogues and aid harmonisation with the recipient government and other donors.

The importance of strong ownership and donor diversity in the case of Vietnam

Examination of Vietnamese ownership may be helpful for analysing ownership in other countries. My findings on the key elements of Vietnam's strong ownership demonstrate three combining factors. First, there is an underlying rationale of having strong ownership and that this is a matter of national independence and sovereignty. In the Vietnamese case, there has been a very clear consensus in decision-making and popular opinion that Vietnam should never be dependent on foreigners, and that strong ownership is necessary. This has become an overall national policy guideline and is fundamental to the definition of a suitable institutional setting. Secondly, within a particular institutional setting, a process of continuous negotiation between stakeholders has been structured in order to facilitate and strengthen the political rationale for Vietnam to exercise that strong ownership. Therefore, these factors together determine Vietnam's strong ownership of its own development agenda and the way Vietnamese authorities have chosen to exercise this ownership. Thirdly, the government's perception of aid, prioritising independence and sovereignty, does matter.

Weak political institutions do not give the strong government ownership that donors increasingly demand. When strong political institutions and ownership are missing, aid interventions and donor harmonisation cannot be a substitute. The Vietnamese case seems to illustrate the necessary conditions: *strong political institutions and a rationale for national independence focusing on internal strength*. Hence, the lack of ownership in many recipient countries cannot be blamed on donors because it is the domestic political institutions that determine whether or not donors exert a dominant influence. The lack of appropriate conditions for strong ownership may require that development cooperation focuses on creating a strong institutional setting where various domestic stakeholder groups can be integrated into the government's politics of development, establishing an environment where strong ownership can emerge.

The Vietnamese experience also suggests that strong ownership has not meant isolation and self-sufficiency: donors have been able to influence and facilitate domestic changes through constructive engagement and cooperation, while leaving the government and its constituencies with policy autonomy.

If a recipient country has a sound institutional set-up and ownership of its own development agenda, it does not matter much if all donors are not harmonised in their policies and aid programmes. It matters mainly when it comes to harmonisation of aid modalities between donors and the recipient agencies in order to better align aid delivery and program efficiency.

For aid effectiveness, the case of Vietnam highlights an important aspect of the role of donor diversity. The wide variety of interests among donors and their development across sectors and provinces, although contrary to the central ideas of the Paris Agenda and Declaration on Harmonisation launched in 2004, has demonstrated pluralism in practice to the Vietnamese and positively affected the government's openness to different development ideas and policies. In reality, Vietnam is still a one-party state and lacks pluralism. The existence of a significant number of multilateral and bilateral donors with diverse interests has helped promote pluralism, however. In other words, the lack of donor harmonisation has been essential to creating the conditions for the development of pluralism in Vietnam, which in turn is crucial for the country's democratisation.

Donors have had an important influence on the interest group dynamics in one-party state Vietnam. The government has not been the only Vietnamese partner that donors cooperate with, but development cooperation has spread across sectors, authorities and localities, and various groups in the society. In this sense, the lack of harmonisation among donors has had a crucial positive impact on how the policy-making process in Vietnam is conducted. More importantly, having different donors in the Vietnamese development arena, the government has been able to test new ideas and refine its thinking on development policy.

The policy impact of the donor community can reach far beyond the material resources provided through foreign aid. Vietnam's international donors have played an important role as an interest group influencing policy debates in Vietnam - in many respects, donors have had a more direct and a closer relationship with the government than most domestic non-state interest groups. As close dialogue partners, the international donor community has been a source of new development ideas, pressure for reforms, capacity building and maturation of the process of change, rather than simply providing financial assistance. Without external assistance it would have been more difficult to develop strong government ownership and consistent policies promoting internationalisation and wider reforms. In a one-party state like Vietnam, characterised by a strong state and weak civil society, reforms and policy changes arguably have to be supported from above, with political clearance from the leadership. The donor community in Vietnam has been given this clearance, even in sensitive areas like governance, human rights, anti-corruption, legal and public administration reform, and training of the future leadership.

One of the most favorable contributions of international development cooperation has been its promotion of the development of a modern state and a pluralist open society in Vietnam. Development cooperation can continue to play this role, supporting institutional change in the country and thereby promoting an open society-centered model with a modern state acting as an agent facilitating the emergence of social groups and interests. By having a large number of donors with diverse priorities and arguments, presenting differing development ideas and solutions to various problems, and spreading ODA programmes across sectors and localities, the participation of a large number of groups receiving aid has in fact resulted in the "side effect" of promoting pluralism. Taking into account the lack of pluralism in Vietnam's one-party state, mainly used to its own central ideas, this role of development cooperation is of crucial importance. Decentralisation, a reform that donors have argued and worked for throughout the process of cooperation with the government, can be considered an important contribution of

development cooperation to pluralism from below, which has been gradually accepted by the central government.

My findings suggest that in a country that lacks pluralism and where all development planning has been based on top-down methods, broad development cooperation with various stakeholders across the society is crucial. It also assists and creates the conditions for central government to undertake reforms. Lucrative aid relations with donors and diverse donor interests have enabled aid beneficiaries at both central and local levels to raise their voice and position in relations with the central government. Harmonisation of practices and modalities and alignment of resources to the government's priorities will also strengthen the central government at the expense of other domestic stakeholders. It is relevant, therefore, to ask how much diversity would be optimal in order to promote different groups in the society at large.

It is important that donor harmonisation be formulated in a general framework to harmonise aid modalities, but it needs to be flexible enough to adapt to the national historical and political context of each recipient country in order to achieve far-reaching aid effectiveness. In countries where strong national development ownership is missing, donor harmonisation should not support the strengthening of existing institutions, eg: strict authoritarian regimes and governments who oppose the true interests of diverse domestic and international stakeholders. Strictly applying harmonisation in order to respect such "strong ownership" in those regimes will consequently destroy the conditions for aid effectiveness in the long term.

The Vietnamese case study shows that the unintended outcome of the lack of donor harmonisation in a centralised country that lacks pluralism has in fact contributed tremendously to aid effectiveness in overall development, albeit at the expense of the effectiveness of specific projects. Clearly, however, this pitfall has been of much less importance in the case of Vietnam.

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