

Overview

of Official Development Assistance in Viet Nam



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Executive Summary

Disbursement of Official Development Assistance (ODA) rose sharply in 2003 according to data compiled by the United Nations Development Programme (UNDP). The increase in US dollar terms reflects higher spending among top donors and the appreciation of non-dollar currencies, particularly the Japanese yen and euro.

After two consecutive years with total ODA disbursements of around 1.4 billion USD, Viet Nam broke the 2 billion USD mark in 2003. Last year Viet Nam dropped off the list of top ten ODA recipients according to the Organization for Economic Cooperation and Development (OECD). The rise in disbursements recorded by UNDP is likely to secure Viet Nam's place in the new top ten list when it is released next year. The rise in disbursements was achieved with no increase in the number of projects, implying growth in the value of the average project in 2003.

Three factors explain the increase in ODA disbursements of almost 45 percent in 2003. First, the final tranche of the World Bank's first Poverty Reduction Support Credit (PRSC) totalling 190 million USD was disbursed at the beginning of 2003 instead of 2002 as initially planned. The World Bank also disbursed the second PRSC worth 117 million USD in the same year. These two projects taken together account for 15 percent of total ODA in 2003 and around 45 percent of the difference between total disbursed ODA in 2002 and 2003. Second, the yen value of Japanese aid doubled from 30 billion yen in 2002 to around 58 billion yen in 2003. Without taking into consideration the exchange rate effect, this increase represents around 250 million USD or 35 percent of the increase in total ODA to Viet Nam. Finally, ODA disbursed in currencies other than US dollars represents about half of the total. The substantial depreciation of the dollar against other currencies, particularly the yen (10 percent) and the euro (16 percent), in 2003 resulted in an increase of around 145 million USD or 20 percent of the registered increase in ODA.

Big donors dominate the top ten projects list in 2003. Infrastructure investments account for six of the ten largest projects, with policy and institutional support and rural development filling out the list. The World Bank, Asian Development Bank and the Japanese Bank of International Cooperation dominate the list of largest projects. Other projects such as World Bank PRSCs combine loans and grants and involve a combination of donors.

While the share of rural and human development projects has remained relatively stable, the share of policy and institutional support projects has varied tremendously in recent years. The timing of disbursements largely explains these movements. Since 1996 major infrastructure has been the largest ODA category. In 2003 disbursements on major infrastructure totalled 847 million USD with half dedicated to transport and one-third to energy projects. Policy and institutional support was the second largest category in 2003 representing 26 percent of total ODA. Disbursements for rural development projects rose to 302 million USD and human development projects totalled 278 million USD, with half of this total dedicated to education and about 40 percent to health-sector projects.

More than half of all ODA disbursed in 2003 was directed to capital investment projects, mostly in infrastructure. Freestanding technical cooperation consumed 25 percent of total ODA by value but accounted for 72 percent of projects. Investment related technical cooperation and food and emergency relief remained relatively small in terms of ODA value. The big ODA story in 2003 was the sharp rise in program/budgetary support and balance-of-

payment support, also known as Quick Disbursing Assistance (QDA). This category rose in value from 132 million USD in 2002 to 375 million USD in 2003 due to the disbursement of two PRSCs in 2003. It is too early to know if this represents a long term trend away from project support to direct budget support.

Loans have dominated ODA disbursements since 1996 when loans overtook grants in the composition of ODA to Viet Nam. In 2003 loans accounted for 67 percent of total ODA or 1.4 billion USD. Fifty-three percent of loans were channelled into infrastructure and 28 percent into policy support mainly through the PRSCs. An analysis of projects by financial terms presents a different picture. Only 11 percent of projects take the form of loans while 89 percent are grant-funded.

In 2003, 25 bilateral donors in addition to the World Bank, the Asian Development Bank, the UN Agencies and other multilateral organizations reported ODA disbursements in Viet Nam. The top four donors from last year, namely Japan, the World Bank, the ADB and France, have remained at the top of the list. However, some movements were recorded in the bottom six positions in 2003. The IMF and the United Nations agencies have fallen from the top ten list replaced by the European Commission and the Netherlands. Australia has jumped from eighth to fifth place. If the European Union were considered as a single donor, combined disbursements of the twelve member states active in Viet Nam plus the European Commission would exceed 400 million USD. This would make the European Union the third largest donor. In terms of the volume of disbursements, the main change was the substantial increase in Japanese and World Bank spending. The top 10 donors represent 88 percent of total ODA disbursed in 2003. Japan has concentrated on infrastructure (79 percent of total disbursements) and rural development. The World Bank has focused mainly on policy and institutional support (58 percent) and infrastructure (30 percent).

Over the last few years some donors have sought to harmonize ODA allocations. The Five Banks Initiative, which include the World Bank, the Asian Development Bank, the Japanese JBIC, French ADF and German KfW, favours large loan projects mainly in infrastructure, other capital investments and policy support. The Like-Minded Donors Group, consisting of Australia, Canada, Denmark, Finland, Germany, Netherlands, Norway, Sweden, Switzerland and United Kingdom, prefers a larger number of small projects including technical cooperation grants. These donors operate in sectors such as rural development, human development and natural resource management.

Tóm tắt Báo cáo *(Executive Summary)*

Theo số liệu thống kê do Chương trình Phát triển Liên Hợp Quốc (UNDP) tổng hợp, mức giải ngân Viện trợ Phát triển chính thức (ODA) tăng mạnh trong năm 2003. Mức giải ngân tính theo USD tăng lên phản ánh mức giải ngân cao hơn của các nhà tài trợ hàng đầu và sự tăng giá của các ngoại tệ khác, đặc biệt là đồng Yên và đồng Euro.

Sau hai năm liên tiếp đạt tổng mức giải ngân ODA vào khoảng 1,4 tỷ USD, Việt Nam đã lập kỷ lục ở mức 2 tỷ USD năm 2003. Năm ngoái, theo thông báo của Tổ chức Hợp tác kinh tế và Phát triển (OECD), Việt Nam đã ra khỏi danh sách 10 nước tiếp nhận ODA hàng đầu. Mức giải ngân tăng (theo báo cáo của UNDP) có thể duy trì vị trí của Việt Nam trong danh sách 10 nước đứng đầu mới vào thời điểm công bố trong năm sau. Mức giải ngân tăng trong khi số dự án không tăng, chứng tỏ mức tăng giá trị của dự án trung bình trong năm 2003.

Mức giải ngân ODA trong năm 2003 tăng gần 45% là do ba yếu tố. Thứ nhất, khoản tiền cuối cùng trong Chương trình Tín dụng hỗ trợ xoá đói giảm nghèo (PRSC) đầu tiên của Ngân hàng Thế giới với tổng trị giá 190 triệu USD đã được giải ngân vào đầu năm 2003 chứ không phải vào năm 2002 như kế hoạch ban đầu. Ngân hàng Thế giới cũng giải ngân khoản tiền thứ hai thuộc PRSC trị giá 117 triệu USD cũng trong năm 2003. Trị giá của hai dự án này cộng lại chiếm tới 15% tổng mức ODA của năm 2003 và khoảng 45% mức chênh lệch giữa tổng mức giải ngân ODA trong năm 2002 và trong năm 2003. Thứ hai, giá trị của khoản viện trợ do Nhật Bản cung cấp tính theo đồng Yên đã tăng gấp đôi từ 30 tỷ Yên năm 2002 lên tới khoảng 58 tỷ Yên năm 2003. Nếu không tính đến ảnh hưởng của tỷ giá hối đoái thì mức tăng này tương đương với khoảng 250 triệu USD, tức là 35% mức tăng của tổng nguồn vốn ODA cho Việt Nam. Cuối cùng, lượng vốn ODA được giải ngân bằng các ngoại tệ không phải là USD chiếm khoảng một nửa tổng lượng ODA. Sự sụt giá đáng kể của USD so với các ngoại tệ khác, đặc biệt là đồng Yên (10%) và đồng Erô (16%), trong năm 2003 đã dẫn đến mức tăng khoảng 145 triệu USD, tức 20% trong tổng mức tăng của ODA.

Mười dự án hàng đầu trong năm 2003 chủ yếu do các nhà tài trợ lớn cung cấp. Các dự án đầu tư về cơ sở hạ tầng chiếm tới 6 trong số 10 dự án lớn nhất, và 4 dự án còn lại hỗ trợ về thể chế, chính sách và phát triển nông thôn. Ngân hàng Thế giới, Ngân hàng Phát triển Châu Á và Ngân hàng Hợp tác quốc tế Nhật Bản cung cấp hầu hết các dự án lớn nhất. Một số dự án như PRSC của Ngân hàng Thế giới kết hợp các khoản cho vay và các khoản viện trợ không hoàn lại và có sự tham gia đóng góp của nhiều nhà tài trợ.

Tỷ trọng của các dự án phát triển nông thôn và phát triển con người vẫn khá ổn định, trong khi đó tỷ trọng các dự án hỗ trợ chính sách và thể chế lại thay đổi khá nhiều trong những năm gần đây. Thời điểm giải ngân là lý do chính cho những sự thay đổi này. Kể từ năm 1996 đến nay, các dự án cơ sở hạ tầng lớn chiếm tỷ trọng cao nhất trong nguồn vốn ODA. Năm 2003, tổng mức giải ngân cho các công trình cơ sở hạ tầng lớn là 847 triệu USD, trong đó một nửa là các công trình giao thông và 1/3 là các dự án năng lượng. Mức giải ngân lớn thứ hai trong năm 2003 dành cho các dự án hỗ trợ chính sách và thể chế, chiếm 26% tổng nguồn vốn ODA. Mức giải ngân cho các dự án phát triển nông thôn tăng lên tới 302 triệu USD, và các dự án phát triển con người có tổng trị giá 278 triệu USD, trong đó một nửa là các dự án giáo dục và khoảng 40% là các dự án y tế.

Hơn một nửa tổng số ODA được giải ngân trong năm 2003 là cho các dự án đầu tư xây dựng cơ bản, chủ yếu trong lĩnh vực cơ sở hạ tầng. Các dự án hợp tác kỹ thuật độc lập chỉ chiếm 25% tổng trị giá ODA, nhưng lại chiếm tới 72% số dự án. Các dự án hợp tác kỹ thuật liên quan tới đầu tư và các dự án cứu trợ khẩn cấp và cứu trợ lương thực vẫn chiếm một tỷ trọng

tương đối nhỏ về giá trị ODA. Điều đáng lưu ý về ODA trong năm 2003 là sự tăng vọt về lượng ODA hỗ trợ cho chương trình và ngân sách cũng như hỗ trợ về cân cân thanh toán hay còn gọi là Hỗ trợ giải ngân nhanh (QDA). Trị giá ODA trong lĩnh vực này tăng từ 132 triệu USD năm 2002 lên tới 375 triệu USD năm 2003 do việc giải ngân hai khoản tiền thuộc PRSC trong năm đó. Hiện vẫn còn quá sớm để biết được liệu điều này có phải là dấu hiệu cho thấy một sự chuyển hướng từ phương thức hỗ trợ theo dự án sang hỗ trợ ngân sách một cách trực tiếp hay không.

Các khoản cho vay đã chiếm tỷ trọng lớn trong nguồn vốn ODA được giải ngân tại Việt Nam kể từ năm 1996 đến nay, nhiều hơn so với các khoản viện trợ không hoàn lại. Năm 2003, các khoản cho vay chiếm tới 67% tổng vốn ODA (1,4 tỷ USD). Có tới 53% trong số các khoản vay này được dành cho khu vực cơ sở hạ tầng, và 28% dành cho các dự án hỗ trợ chính sách chủ yếu thông qua các chương trình PRSC. Kết quả phân tích các dự án về mặt tài chính lại cho thấy một bức tranh khác. Chỉ có 11% là các dự án vay, còn 89% là các dự án viện trợ không hoàn lại.

Năm 2003, ngoài Ngân hàng Thế giới, Ngân hàng Phát triển Châu Á, các tổ chức LHQ và các tổ chức đa phương khác, còn có 25 nhà tài trợ nữa cũng tham gia cung cấp ODA cho Việt Nam. Bốn nhà tài trợ hàng đầu năm ngoái, đó là Nhật Bản, Ngân hàng Thế giới, Ngân hàng Phát triển Châu Á và Pháp vẫn tiếp tục đứng đầu. Tuy nhiên, có một số thay đổi trong 6 vị trí cuối trong năm 2003. Quỹ Tiền tệ Quốc tế và các tổ chức LHQ không còn nằm trong 10 vị trí đứng đầu và bị thế chỗ bởi Ủy ban Châu Âu và Hà Lan. Ốt-xtrây-li-a đã nhảy từ vị trí thứ 8 lên vị trí thứ 5. Nếu coi Liên minh Châu Âu (EU) như là một nhà tài trợ thì tổng cộng mức ODA giải ngân của 12 quốc gia thành viên EU có mặt tại Việt Nam và cả Ủy ban Châu Âu sẽ vượt quá 400 triệu USD. Điều này khiến cho EU trở thành nhà tài trợ lớn thứ ba. Xét về lượng vốn ODA được giải ngân, thì sự thay đổi chủ yếu là mức giải ngân của Nhật Bản và Ngân hàng Thế giới tăng lên đáng kể. Mười nhà tài trợ hàng đầu chiếm tới 88% tổng giá trị ODA được giải ngân trong năm 2003. Nhật Bản tập trung hỗ trợ cho lĩnh vực cơ sở hạ tầng (79% tổng mức giải ngân của nước này cho Việt Nam) và phát triển nông thôn. Ngân hàng Thế giới thì tập trung chủ yếu vào hỗ trợ chính sách và thể chế (58%) và cơ sở hạ tầng (30%).

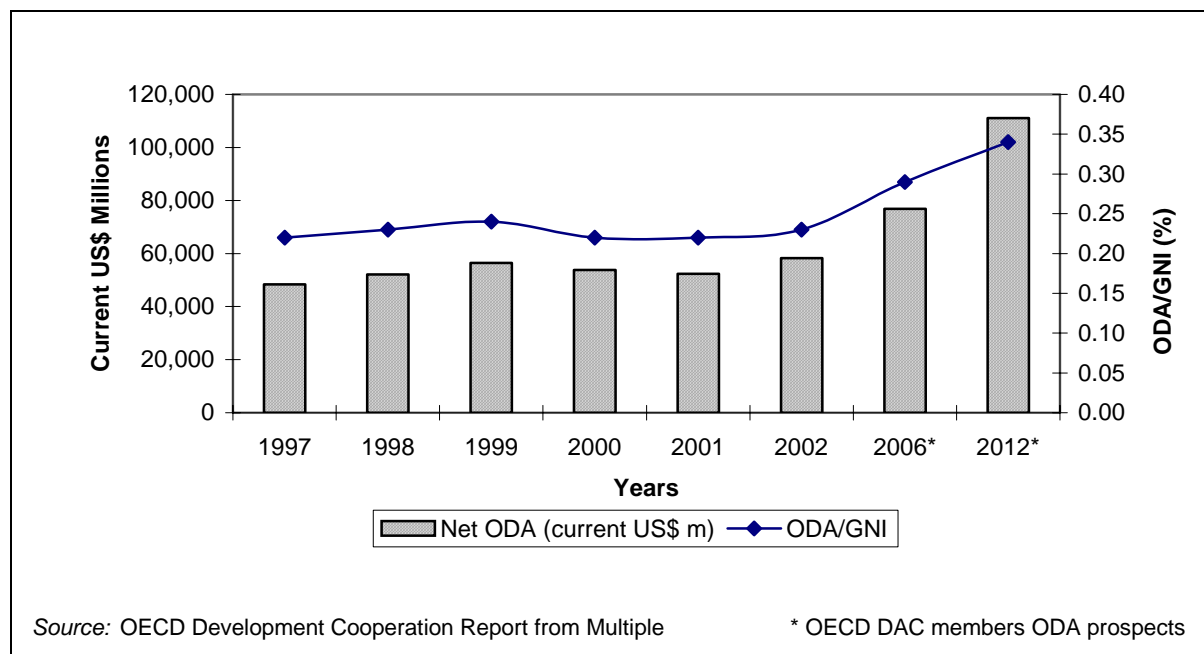
Trong những năm qua, một số nhà tài trợ đã cố gắng hài hoà về thủ tục phân bổ ODA. Sáng kiến 5 ngân hàng: Ngân hàng Thế giới, Ngân hàng Phát triển Châu Á, Ngân hàng Hợp tác quốc tế Nhật Bản, ADF của Pháp và KfW của Đức, thiên về các dự án vay lớn, chủ yếu trong lĩnh vực cơ sở hạ tầng, các dự án xây dựng cơ bản khác và hỗ trợ chính sách. Nhóm các nhà tài trợ cùng chỉ hướng, bao gồm: Ốt-xtrây-li-a, Canada, Đan Mạch, Phần Lan, Đức, Hà Lan, Na-uy, Thụy Điển, Thụy Sĩ và Vương quốc Anh, lại chọn phương án có nhiều dự án quy mô nhỏ, kể cả các dự án viện trợ không hoàn lại phục vụ cho hợp tác kỹ thuật. Các nhà tài trợ này hỗ trợ cho các lĩnh vực như phát triển nông thôn, phát triển con người và quản lý tài nguyên thiên nhiên.

1. International Context

The years 2002 and 2003 represent a turning point in the evolution of aid flows to developing countries. The Millennium Declaration of September 2000 established the goal of developing a global partnership for development. The terrorist attacks on the United States on 11 September 2001 led to a fundamental change in US policy toward developing countries evidenced by increasing aid flows. Although not among the top donors in Viet Nam, the US was the world's largest donor by volume in 2002 and policy change in the US will probably continue to affect the future evolution of aid flows. The commitments of the Millennium Declaration were further developed at the International Conference on Financing for Development in Monterrey in March 2002, the Rome Declaration on Harmonization in February 2003, and finally, the Development Assistance Committee (DAC) Working Party on Aid Effectiveness and Donor Practices set up in May 2003. All three represent part of the commitment of the international donor community to MDG 8 on forming a global partnership for development.

Given this new international context, OECD foresees a steady increase in ODA with the potential of doubling current levels by 2012 as well as a substantial increase in the percentage of ODA over Gross National Income (GNI) of donor countries. The 7.2 percent real increase in total ODA from Development Assistance Committee (DAC) countries represented the turning point. Under current donor commitments, the level of ODA could reach around 75 billion USD and 0.29 percent of ODA/GNI by 2006 and by 2012 OECD reports forecast about 110 billion USD and 0.34 percent ODA/GNI (OECD 2002 and 2004).

Figure 1: Global ODA 1990 - 2002 and Forecast

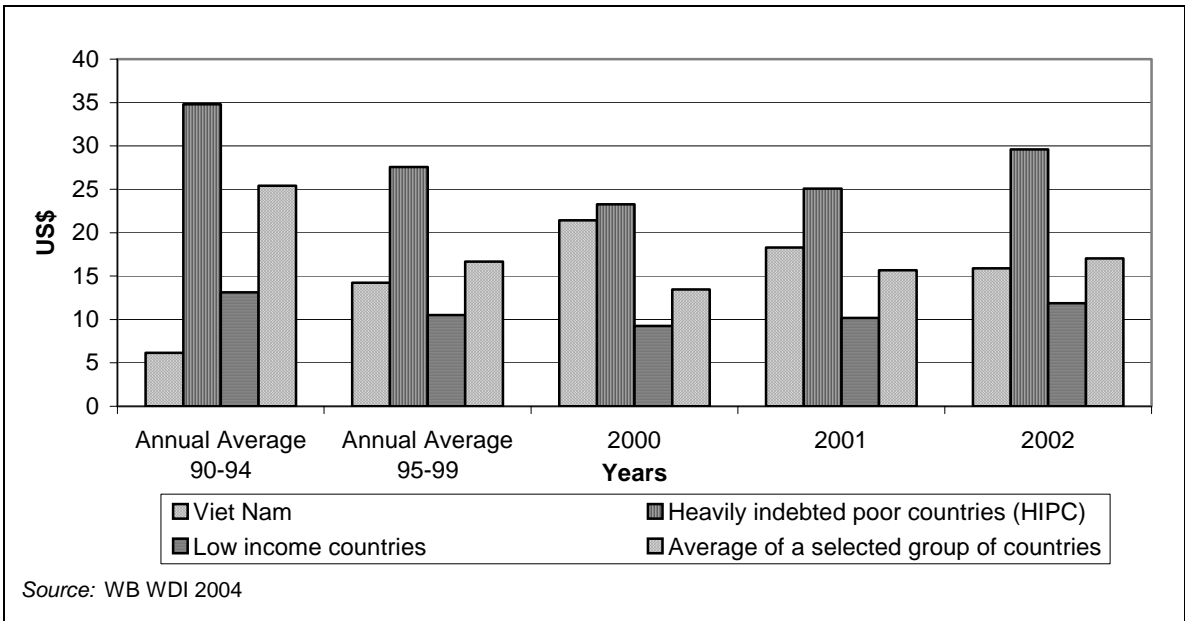


Part of this new context relates to aid delivery issues. In recent years significant steps have been taken in this area such as the World Bank's Comprehensive Development Framework, the establishment of national poverty reduction strategies, the increasing emphasis on common approaches between donors such as sector-wide approaches and budget support, and

a renewed commitment to country ownership. Viet Nam has been a leading recipient country with regards to new aid instruments and approaches. It is, therefore, no surprise to find Viet Nam mentioned as one of the countries to benefit from a modest but noticeable shift in aid toward better policy performers (OECD 2004). Since 1996, according to OECD statistics, Viet Nam has consistently been among the top ten recipient countries of ODA (see Table 1 below). Although Viet Nam was not among the top ten recipient countries in 2002, it is likely that Viet Nam will again be among this elite group in 2003.

Figures 2 to 5 compare recent trends in ODA to Viet Nam with three comparator groups: the group of Low Income Countries, the group of Highly Indebted Poor Countries (HIPC), and a group of countries that recorded a similar level of GDP per capita (in purchasing power parity terms) in 2002.¹

Figure 2: Aid per Capita (Current US\$)



These figures indicate that aid flows to Viet Nam in recent years approximate the levels received by low-income countries and countries at similar levels of per capita income. However, Viet Nam has consistently received less ODA than HIPC countries.

¹ The group includes the 10 countries above Viet Nam and 10 below Viet Nam in the ranking of countries by PPP GDP per Capita in 2002, excluding China and India. The countries included in the cut are: Lao PDR, Sudan, Pakistan, Cameroon, Cambodia, Guinea, Ghana, Angola, Mauritania, Georgia, Bolivia, Indonesia, Sri Lanka, Ecuador, Egypt, Morocco, Philippines, Jordan and Lebanon.

Table 1: Worldwide Top 10 Recipients from DAC Countries²

1997-1998 Average		1998-1999 Average		1999-2000 Average		2000-2001 Average		2001-2002 Average	
Rank	(US\$ m)	Rank	(US\$ m)	Rank	(US\$ m)	Rank	(US\$ m)	Rank	(US\$ m)
1. China	1,876	1. Indonesia	2,426	1. Indonesia	2,456	1. China	1,782	1. China	1,847
2. Indonesia	1,746	2. China	2,249	2. China	2,097	2. Indonesia	1,750	2. India	1,642
3. Egypt	1,612	3. India	1,558	3. Russia (OA)	1,495	3. India	1,442	3. Indonesia	1,443
4. India	1,612	4. Egypt	1,554	4. Egypt	1,442	4. Egypt	1,370	4. Egypt	1,397
5. Israel (OA)	1,291	5. Russia (OA)	1,239	5. India	1,438	5. Russia (OA)	1,172	5. Serbia & Montenegro	1,277
6. Philippines	946	6. Israel (OA)	1,143	6. Thailand	1,187	6. Viet Nam	1,057	6. Mozambique	1,244
7. Thailand	861	7. Thailand	1,098	7. Viet Nam	1,153	7. Thailand	1,003	7. Russia (OA)	1,062
8. Bangladesh	758	8. Philippines	955	8. Israel (OA)	1,000	8. Philippines	940	8. Pakistan	960
9. Viet Nam	714	9. Viet Nam	887	9. Philippines	990	9. Tanzania	878	9. Tanzania	939
10. Russia (OA)	713	10. Bangladesh	795	10. Bangladesh	825	10. Pakistan	850	10. Philippines	914
Total Net ODA	50,106		54,231		55,083		53,035		55,305
Top 10 (% Total)	24.2		25.6		25.6		23.1		23.0

Source: OECD Development Cooperation Report 1999, 2000, 2001, 2002 & 2003

² Total ODA for Viet Nam reported by OECD differs from UNDP Development Cooperation Reports. This is due to different data collection methods as well as to the fact that certain donors are not included among the DAC countries.

Figure 3: Aid (% of GNI)

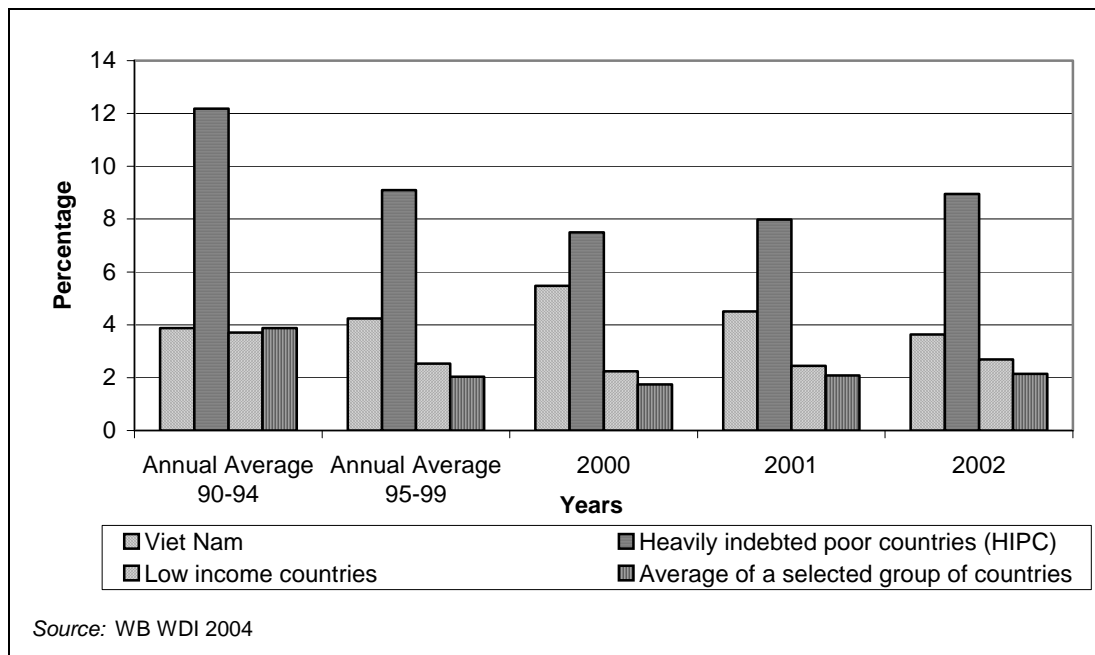


Figure 4: Aid (% of Gross Capital Formation)

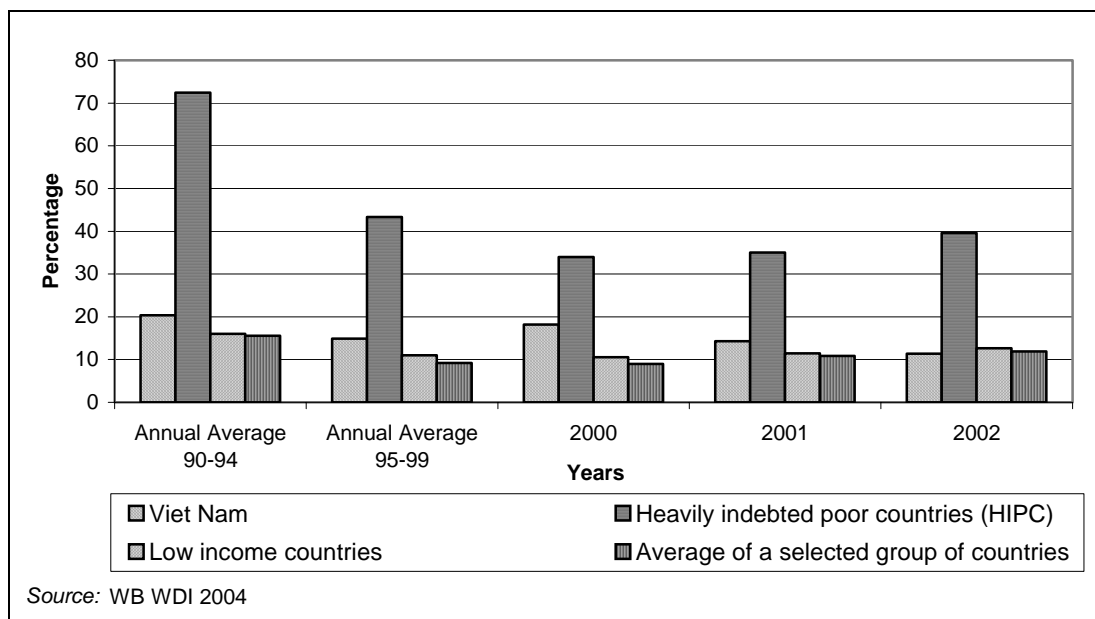
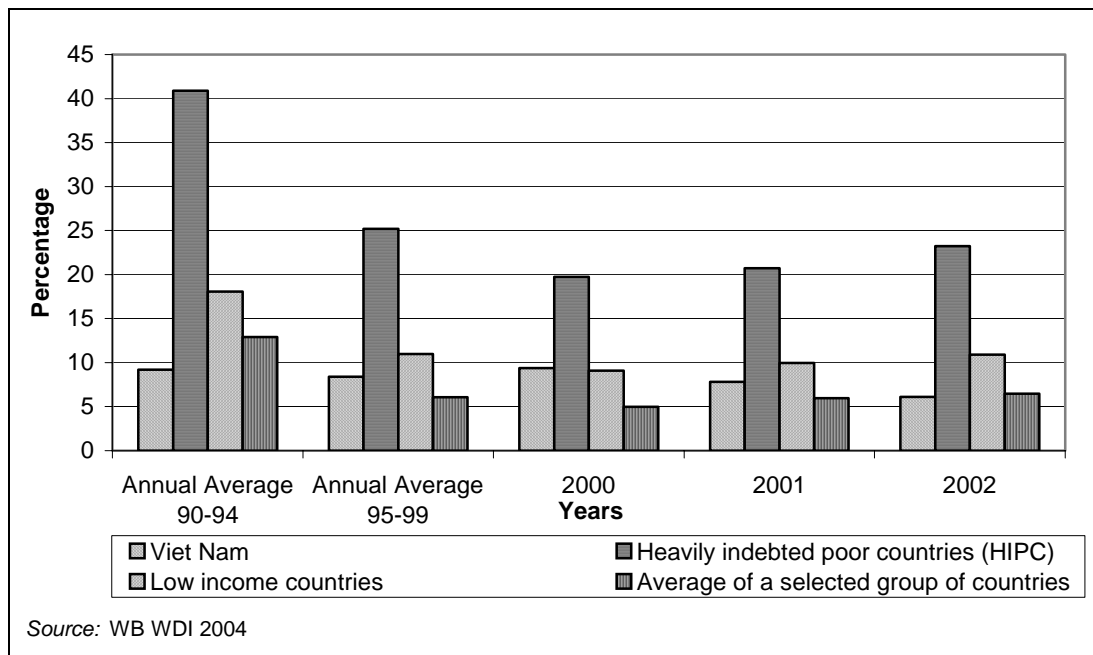


Figure 5: Aid (% of Imports of Goods and Services)



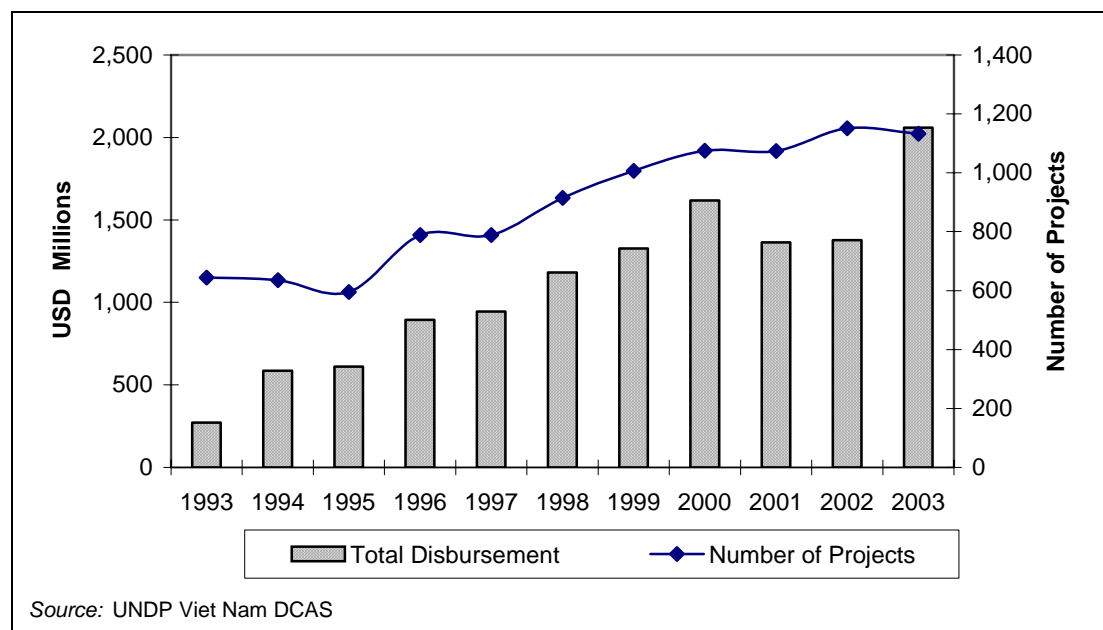
Of particular importance is the ratio of ODA to imports. As shown in Figure 5, since 1995 this indicator has been significantly higher in Viet Nam than in countries at a similar level of income per capita. Although the ratio fell in 2002, this change may be temporary, as we shall see in the following section.

The relatively high levels of ODA to Viet Nam, at least in comparison to countries at a similar level of development, reflects continued enthusiasm among donors for the general direction of policy change and for the country's economic potential.

2. Total ODA Trends 1992-2003

After two consecutive years in which ODA disbursements totalled approximately 1.4 billion USD, Viet Nam broke the 2 billion USD barrier in 2003. This represents an increase of 45 percent over 2002. At the same time, the number of projects actually fell slightly to 1,130 in 2003, implying a sharp increase in the value of the average project.

Figure 6: Total ODA Disbursement and Projects

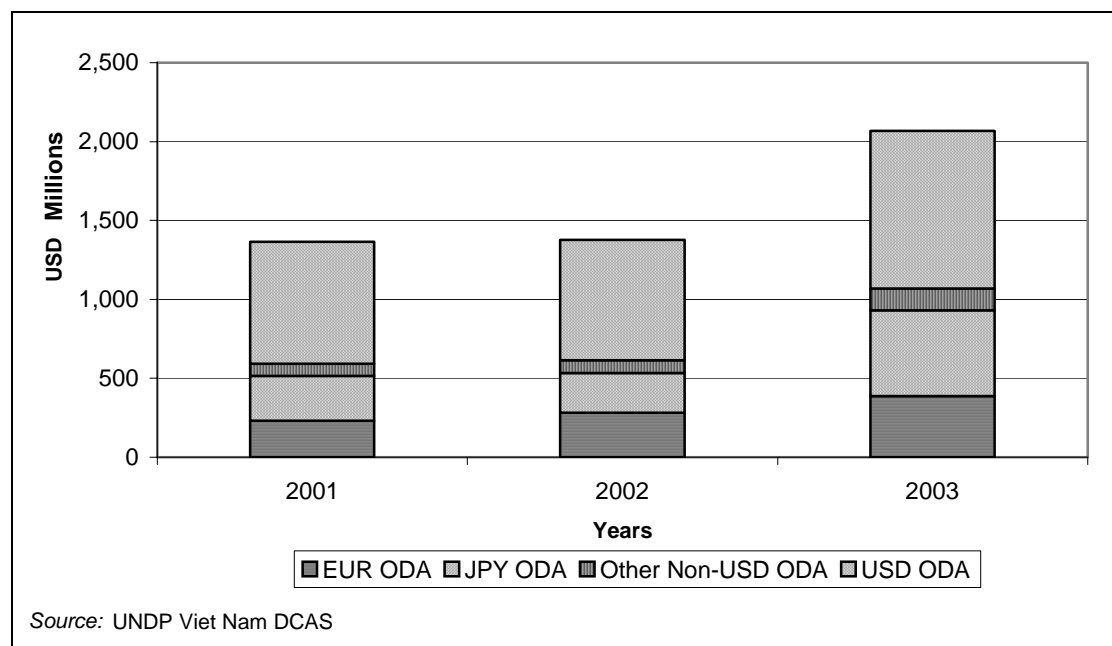


This substantial increase in ODA disbursements can be explained by three main factors: the reappearance of projects with disbursements larger than 100 million USD; an almost doubling of ODA disbursements of Japanese yen; and the depreciation of the USD against the euro and Japanese yen.

In 2002 there were no projects larger than 100 million USD, the first time this had occurred since 1999. Furthermore, in mid 2002 the IMF disbursed the third tranche of seven in the country's Poverty Reduction Growth Facility (PRGF), with no further disbursements in 2002 and a final agreed expiration of the loan without additional disbursements in 2004. As reported last year (UNDP 2003), the final tranche of the World Bank's first Poverty Reduction Support Credit (PRSC) totaling 190 million USD (including 160 million USD of World Bank resources and some 30 million USD in co-financing from the Netherlands, United Kingdom and Denmark) was disbursed at the beginning of 2003 instead of 2002, as originally planned. In 2003, the World Bank's second PRSC disbursed a total of 117 million USD including 107 million USD of World Bank resources and 10 million USD in co-financing from the Netherlands. These two projects accounted for 15 percent of total ODA in 2003 and around 45 percent of the difference between total ODA in 2002 and 2003.

With regards to the second factor, Japanese aid disbursed in yen doubled from around 30 billion yen in 2002 to around 58 billion yen in 2003. Without taking into consideration exchange rate shifts between 2002 and 2003, this increase represented around 250 million USD or 35 percent of the increase in total ODA to Viet Nam in 2003. The final component is highlighted in Figure 7. ODA in currencies other than US dollars represents between 45 and 50 percent of total ODA depending on the year, with ODA in euros accounting for between 16 and 20 percent and ODA in Japanese yen 20 to 26 percent of total ODA. The substantial depreciation of the USD against the yen from 117 to 107 yen per dollar (a ten percent depreciation) and against the euro from 0.96 to 0.80 euro per dollar (16 percent depreciation) translated into an increase of around 145 million USD or 20 percent of the difference between total ODA in 2002 and 2003.

Figure 7: Share of Non-USD ODA in Total ODA



ODA to Viet Nam could still be characterized in 2003 as a large number of small projects combined with a small number of large projects. Since 1995 the distribution of projects by size has remained relatively stable. Depending on the year, between 16 and 20 percent of projects have had an annual disbursement of less than 50,000 USD and between 13 and 18 percent of projects had annual disbursements of 50,000 to 100,000 USD. Almost 80 percent of projects reported annual disbursements of less than one million USD.

This distribution of projects by size is similar to the international average as reported by the OECD Creditor Reporting System (see Table 2 below). However, large projects continue to represent a smaller share of ODA by value in Viet Nam than the international average.

Table 2: Size of Intervention: Comparison Viet Nam OECD - Creditor Reporting System

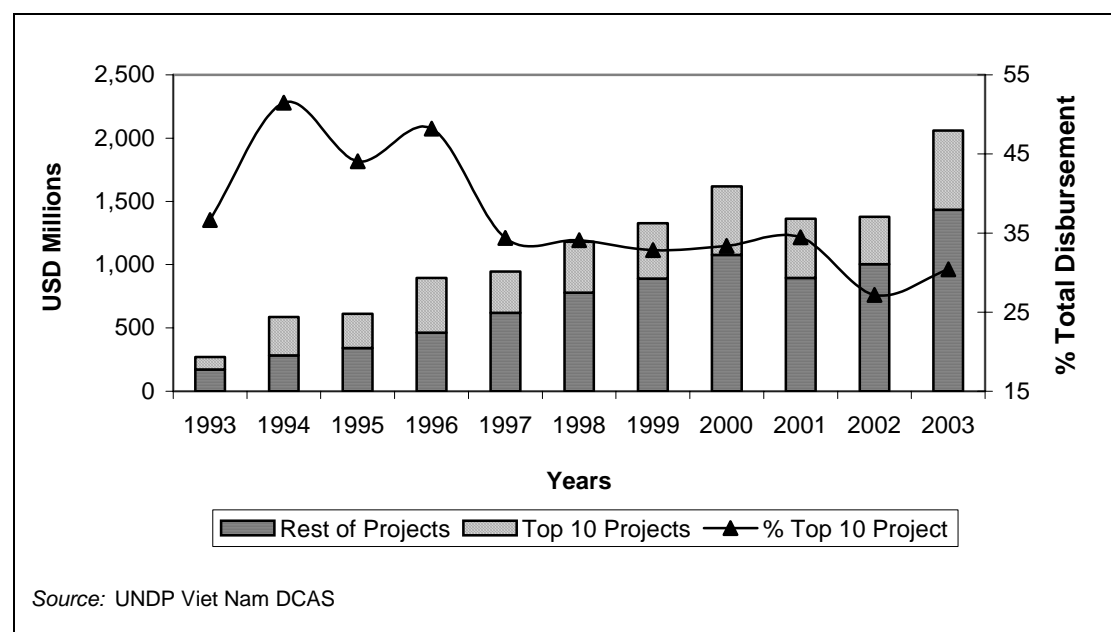
	Over USD 100 m	USD 10-100 m	USD 1 - 9,99 m	Under USD 1 m
OECD – Creditor Reporting System				
% by value	25	42	24	9
% by number	0.2	2	12	85
Viet Nam Average 2001-2003				
% by value	11	42	34	13
% by number	0.1	3	16	81

Source: OECD 2004 and UNDP Viet Nam DCAS

It is worth remembering that such a large number of small interventions represents a significant problem for recipient governments in terms of transaction costs as well as the administrative burden. In light of these statistics, the ongoing process of donor-government partnership, harmonization and the improvement of aid effectiveness should consider the costs and benefits to government and donors of the proliferation of small ODA projects.

The small number of projects with annual disbursements greater than 10 million USD represented more than 50 percent of total ODA. It is therefore important to analyze the evolution of the top 10 projects in disbursement terms (Figure 8). As total ODA has increased, the share of the top ten projects has fallen from a high of 51 percent to around 30 percent in 2003.

Figure 8: Top 10 Projects by Disbursement



Source: UNDP Viet Nam DCAS

Table 3 presents the top 10 projects by disbursement for the years 2000, 2001, 2002 and 2003. Most of the large projects fall into the infrastructure category and generate annual disbursements of between 25 and 60 million USD. Aside from infrastructure projects, mainly funded with loans from Japan, the largest projects with disbursements above 100 million USD are World Bank and IMF poverty reduction projects, which take the form of balance of payments and budgetary support. One or two rural development projects normally appear in this group as well. The top 10 projects mainly consist of loans, however some multi-donor projects such as World Bank PRSCs combined loans and grants.

Even after the expiration of the IMF's PRGF, ODA disbursements to Viet Nam substantially increased in 2003. This would have been the case even if the full PRSC credit had been disbursed in 2002 as originally planned. Viet Nam benefited both from the global increase in ODA and purely domestic factors such as strong donor support for the government's anti-poverty strategy as embodied in the Comprehensive Poverty Reduction and Growth Strategy (CPRGS) (Viet Nam's PRSP).

Table 3: Top 10 Projects by Disbursement 2000 - 2003**TOP 10 PROJECTS 2000**

Rank	Project Short Title	Million USD	% Total
1	ECONOMIC REFORM SUPPORT LOAN	\$174	10.76
2	PHU MY POWER PALNT II VNII-1	\$74	4.57
3	PHA LAI POWER PLANT III VNIV-2	\$54	3.35
4	SOE REFORM & CORPORATE GOVERNANCE PROG.	\$48	2.96
5	PHU MY POWER PLANT III VNIV-1	\$40	2.46
6	PHU MY POWER PLANT VNI-1	\$36	2.26
7	PHA LAI THERMAL POWER PLAN PROJECT (IV)	\$32	1.97
8	WB : RURAL FINANCE PROJ	\$29	1.82
9	HAM THUAN-DA MI HYROPOWER 3 VNIV-3	\$29	1.80
10	ADB: SECOND ROAD IMPROVEMENT	\$23	1.44

TOP 10 PROJECTS 2002

Rank	Project Short Title	Million USD	% Total
1	THIRD ROAD IMPROVEMENT SEGMENT 1 + 2	\$57	4.16
2	POVERTY REDUCTION AND GROWTH FACILITY	\$56	4.09
3	SOE REFORM & CORPORATE GOVERNANCE PROG.	\$49	3.57
4	RURAL ENERGY	\$47	3.41
5	WB: SECOND HIGHWAY REHABILITATION	\$46	3.34
6	RURAL TRANSPORT II	\$30	2.21
7	NATIONAL HIGHWAY NO.10 VNV-5	\$23	1.70
8	POVERTY REDUCTION SUPPORT CREDIT	\$22	1.59
9	HIGHWAY NO. 18 (I) VNV-6	\$22	1.57
10	POWER DISTRIBUTION PROJECT LOAN	\$21	1.56

Source: UNDP Viet Nam DCAS

TOP 10 PROJECTS 2001

Rank	Project Short Title	Million USD	% Total
1	POVERTY REDUCTION SUPPORT CREDIT	153	11.21
2	POVERTY REDUCTION AND GROWTH FACILITY	105	7.71
3	WB: SECOND HIGHWAY REHABILITATION	41	2.98
4	NATIONAL HIGHWAY NO.10 VNV-5	31	2.25
5	ADB: SECOND ROAD IMPROVEMENT	29	2.12
6	EQUIPMENT FOR POWER PLAN IN BA RIA	26	1.89
7	PHU MY POWER PLANT III VNIV-1	23	1.70
8	THIRD ROAD IMPROVEMENT SEGMENT 1 + 2	22	1.59
9	WB: IRRIGATION REHABILITATION	21	1.55
10	RURAL INFRA DEV & LIVING STAND VN VI-8	20	1.50

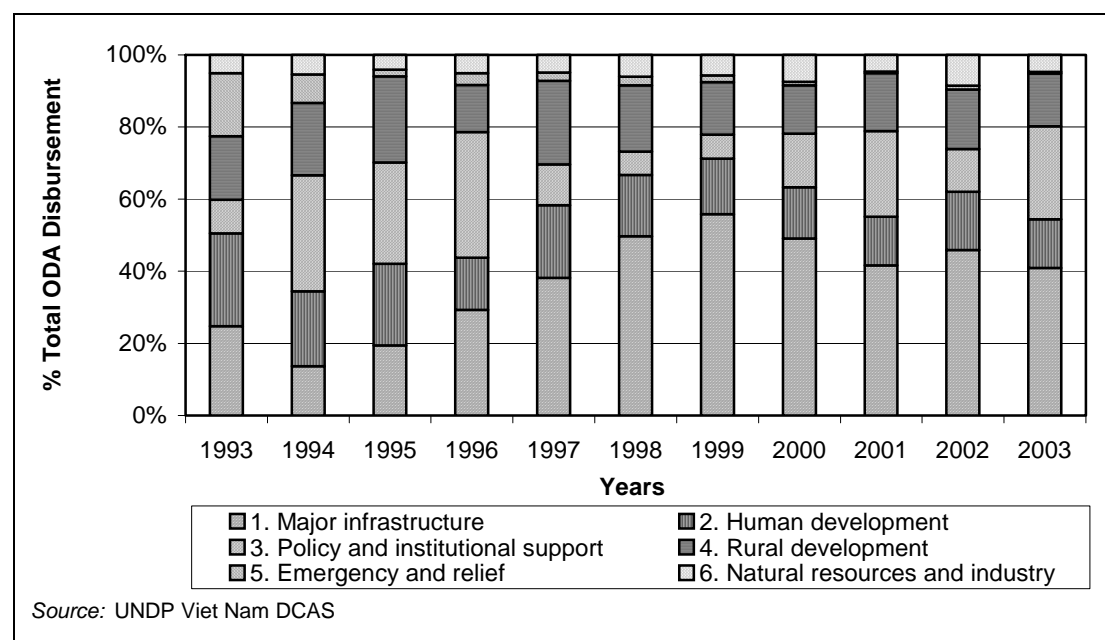
TOP 10 PROJECTS 2003

Rank	Project Short Title	Million USD	% Total
1	POVERTY REDUCTION SUPPORT CREDIT	190	9.18
2	II POVERTY REDUCTION SUPPORT CREDIT	117	5.64
3	RURAL FINANCE II	57	2.77
4	POWER TRANSMISSION AND DISTRIBUTION PROJECT	51	2.49
5	THIRD ROAD IMPROVEMENT SEGMENT 1 + 2	48	2.30
6	PHU MY THERMAL POWER PLAN PROJECT	41	2.00
7	SMALL-SCALE PRO POOR INFRASTRUCTURE DEVELOPMENT	34	1.67
8	PHA LAI THERMAL POWER PLAN PROJECT	29	1.42
9	NATIONAL HIGHWAY NO.10 VNV-5	29	1.40
10	RURAL ENERGY	29	1.39

3. ODA Distribution by Category³ and Sectors

Figure 9 presents the historical evolution of six broad categories of ODA since 1993. The relative share of these categories has remained fairly constant over the past four years. The most stable categories in terms of ODA share are rural development (with an average of 15 percent), human development (15 percent) and natural resources and industry (seven percent). The main variations are in the share of policy support, which ranges between 12 and 26 percent, and major infrastructure, which ranges between 41 and 49 percent. Since 1996 major infrastructure has been the largest category. The second largest has alternated among rural development, human development and policy support. The category of emergency and relief has comprised one percent or less of total ODA disbursement in Viet Nam since 2000.

Figure 9: Broad ODA Trends 1993-2003



³ The Development Cooperation Assistance System (DCAS) used by UNDP Viet Nam to prepare this report classifies ODA flows according to 17 sectors and more than 80 sub-sectors based on the information supplied by the donor community. In order to facilitate the analysis of the data collected, these sectors and sub-sectors will be grouped on the basis of the following six broad categories:

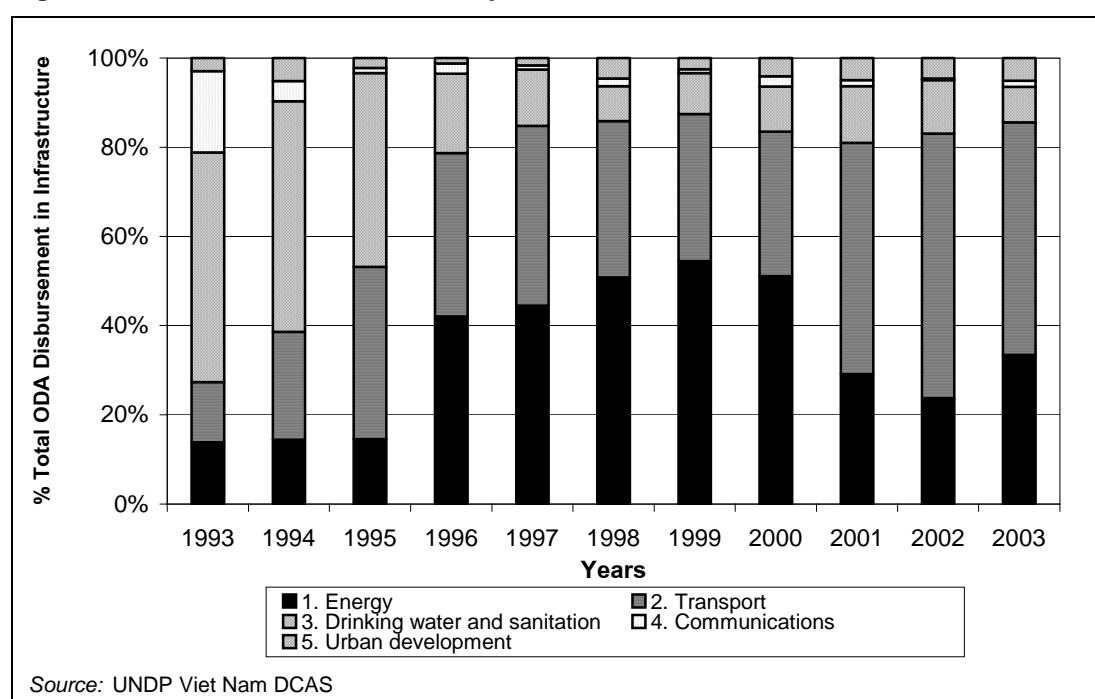
- 1st Category: major infrastructure including energy, transport, communications sector policy and planning, postal services, telecommunications, urban development and drinking water and sanitation.
- 2nd Category: human development including human resource development, health, television and media, development support communications, social legislation and administration, housing, culture and prevention of crime and drug abuse.
- 3rd Category: policy and institutional support including economic management, development administration, international trade and domestic trade.
- 4th Category: rural development including agriculture and area development.
- 5th Category: emergency and relief including disaster preparedness and humanitarian aid and relief.
- 6th Category: other sectors including natural resources and industry.

3.1. Major Infrastructure

In 2003 major infrastructure remained the largest ODA category with total disbursements of 847 million USD. This represents a 34 percent increase over 2002. The main factor behind this rise was the important role of Japan in this category. With 55 percent of disbursements in this category in yen, a significant part of the increase represents movements in exchange rates. There was also a substantial increase in the energy sector from 150 to 283 million USD. Besides Japan, other major donors in this category were the World Bank with 21 percent and AsDB with 12 percent of total ODA disbursements in infrastructure. The multilateral and bilateral agencies included in the Five Banks Initiative on Harmonization represented 85 percent of total disbursements in 2003. In financial terms, 86 percent or 732 million USD consisted of loans and 14 percent or 114 million USD of grants. Almost 92 percent was disbursed as capital investment projects (CIP) and just 7 percent or 62 million USD as freestanding technical cooperation (FTC). The size distribution of infrastructure projects did not change much from previous years with a total of 161 projects or 46 percent reporting disbursements above one million USD. Thirty projects reported disbursements of over 10 million USD, twice the number in 2002.

The sectoral distribution of infrastructure-related ODA has changed over time. From 1993 until 1995, water and sanitation projects were dominant. Energy projects accounted for the largest share of infrastructure disbursements from 1996 to 2000. The large development banks became active during this period. Between 2001 and 2003 the dominant sector was transport, representing over 50 percent of total disbursements in infrastructure. Since 2000, water and sanitation has maintained a relatively constant share of ten percent of total ODA in infrastructure and urban development has recorded a five percent share.

Figure 10: ODA Disbursements on Major Infrastructure



Disbursements to the **energy sector** increased in 2003 by 89 percent to a total of 283 million USD. Energy projects as a share of total infrastructure disbursements also rose from 24 percent in 2002 to 33 percent in 2003. After a period of reduced disbursements following the completion of the initial hydropower and thermal power plants, a second wave of investment appears to be underway. Spending on hydroelectric power and transmission increased by 280 percent to 69 million USD, but remained well below the 2000 level of 131 million USD. Disbursements to projects related to conventional energy sources increased by 71 percent in 2003 to 207 million USD, again below the 2000 level of 248 million USD. Conventional energy remained the largest share of energy disbursement with almost 70 percent in this category followed by hydroelectric power with 23 percent. Sector policy and planning continued to represent a small fraction of total disbursements.

The main donors in the energy sector were JBIC with 59 percent of total disbursements in energy or 168 million USD and the World Bank with 29 percent. The World Bank disbursement of 29 million USD on the Rural Energy project and French disbursement of 7 million USD on the Rural Electrification project were the largest disbursements in rural energy in 2003.

As previously stated, **transport** accounted for the largest share of infrastructure projects and almost 21 percent of total ODA. Between 2002 and 2003 ODA disbursements in transport increased by 18 percent to 442 million USD. Bearing in mind that 56 percent of the disbursements in transport were denominated in yen, almost half of the increase can be linked to exchange rate effects. In terms of sub-sectors, the value of projects dedicated to road and rail transportation decreased while water transportation and shipping substantially increased. Nevertheless, road transportation still represented 68 percent of total transport related ODA disbursements with Japan, World Bank and AsDB as the largest donors. Water transport projects represented 24 percent with Japan and World Bank as the main donors. Transport policy and planning was dominated by French aid and represented five percent of total transport ODA disbursement in 2003. The relevance of the harmonization groups is clear in this sector as 91 percent of total disbursements were financed by the Five Banks Initiative on Harmonization. The important role of development banks is reflected in the fact that 87 percent of disbursement is in the form of CIP loans.

Table 4 below presents the top 10 projects in major infrastructure, and demonstrates the overwhelming importance of energy and transport projects.

Unlike the previous year, disbursements for **drinking water and sanitation** decreased by ten percent to 68 million USD and totalled eight percent of total disbursements in infrastructure. Loans represented 80 percent of disbursements. Disbursement on water and sanitation are biased towards urban areas.

In 2003 the **communications** component of major infrastructure represented disbursements of 11 million USD mainly from two loan projects from JBIC in the telecommunication sub-sector. These projects were the Coastal Communication System valued at 9.7 million USD and the Rural Telecommunication Network totalling 1.3 million USD.

Table 4: Top 10 Projects in Infrastructure 2003

Rank	Project Title	Donors	Responsible Ministry	Type	Terms	Million USD
1	Power Transmission	WB	Electricity Corporation of Viet Nam	CIP	Loan	50
		SIDA		CIP	Grant	1
2	Third Road Improvement Segment 1+2	ASDB	Ministry of Transport	CIP	Loan	48
3	Phu My Thermal Power Plant	JBIC	Ministry of Finance	CIP	Loan	41
4	Pha Lai Power Plant II	JBIC	Ministry of Planning and Investment	CIP	Loan	29
5	National Highway No.10	JBIC	Ministry of Transport	CIP	Loan	29
6	Rural Energy	WB	Ministry of Industry	CIP	Grant	29
7	Phu My - HCMC 500KV Transmission Line	JBIC	Ministry of Planning and Investment	CIP	Loan	27
8	Dai Ninh Hydropower Project	JBIC	Ministry of Planning and Investment	CIP	Loan	26
9	2nd National HW1 Bridge Rehabilitation	JBIC	Ministry of Planning and Investment	CIP	Loan	24
10	Cai Lan Port Expansion	JBIC	Ministry of Planning and Investment	CIP	Loan	23

Source: UNDP Viet Nam DCAS

The **urban development** sub-sector increased by 50 percent in 2003 to 43 million USD and continued to represent around five percent of total disbursements in major infrastructure. These resources were concentrated in three main projects: two JBIC projects in Ha Noi totalling 29 million USD in loans and a World Bank loan in HCMC worth four million USD.

3.2. Policy and Institutional Support

The second major ODA category in 2003, accounting for 26 percent of total disbursements in Viet Nam, was policy support. The value of projects in this category increased by 533 million USD or 226 percent increase over 2002 levels. This substantial increase mainly reflects the delay in the disbursement of the last part of the first Poverty Reduction Support Credit. Table 5, which presents a list of the top five policy support projects, shows how the 2003 data are affected by the delay in disbursement. Sixty-three percent of disbursements came from the World Bank, 16 percent from other donors in the Like-Minded Donors Group on Harmonization and 11 percent from the AsDB. Seventy-three percent of disbursements in this category were in the form of loans, 66 percent was PBB, 20 percent CIP and 13 percent FTC. The number of projects increased to 208. This increase was mainly in the form of large projects, lifting the percentage of projects reporting disbursements above one million USD from 11 to 16 percent. Six projects disbursed between 10 and 50 million USD and two disbursed more than 100 million USD.

The macroeconomic policy and planning sub-sector dominates this category with 344 million USD, including the two PRSC disbursements. The second sub-sector is

development administration with 15 percent in 2003. This sub-sector includes a project of the Italian Ministry of Foreign Affairs for debt cancellation worth 23 million USD.

Table 5: Top 5 Projects in Policy and Institutional Support 2003

Rank	Project Title	Donors	Responsible Ministry	Type	Terms	Million USD
1	POVERTY REDUCTION SUPPORT CREDIT	WB	State Bank of Viet Nam	PBB	Loan	160
		DFID		PBB	Grant	11
		NETGOV		PBB	Grant	10
		DANIDA		PBB	Grant	6
		DFID		PBB	Grant	2
2	SECOND POVERTY REDUCTION SUPPORT CREDIT	WB	State Bank of Viet Nam	PBB	Loan	107
		NETGOV		PBB	Grant	10
3	WB. RURAL FINANCE II	WB	Bank for Investment and Development of Viet Nam	CIP	Loan	57
4	ITALY. DEBT CANCELLATION FOR VIET NAM	ITALY	N/A	PBB	Grant	23
5	ADB. FINANCIAL SECTOR PROGRAM II	ASDB	State Bank of Viet Nam	PBB	Loan	21

Source: UNDP Viet Nam DCAS

3.3. Rural Development

Against the worldwide trend towards diminishing ODA spending on rural development (OECD 2004), ODA in Viet Nam continued to grow in this category. Data from 2003 show an increase of 34 percent over 2002 to 302 million USD. Although the increase is substantial, it should be taken into account that 65 percent of rural development disbursements were in non-USD currencies: 33 percent in euros and 18 percent in yen. Thus, the exchange rate effect accounts for around one third of the increase. As a percentage of total ODA, rural development continued to represent 15 percent of total ODA to Viet Nam, a share that has remained relatively stable over the last four years. The continued commitment of donors to rural development is important bearing in mind that 75 percent of the population and 95 percent of poor households in the country live in rural areas (UN Country Team 2003).

In financial terms, loans represented 56 percent or 167 million USD of total disbursements in 2003. The largest share of disbursements was in the form of CIP with 46 percent of disbursements in rural development followed by FTC with 37 percent. The largest donor in the category was AsDB accounting for 66 million USD or 22 percent, followed by Japan with 20 percent and France with 13 percent of total disbursements. The Five Banks Initiative represented 47 percent of disbursements and the Like-Minded Donors Group 26 percent. In 2003 the number of projects fell by around 40 projects to 245. The percentage of projects reporting disbursements above

one million USD was stable at 82 percent with an increase in projects disbursing more than 10 million USD to a total of seven. The five largest projects are presented in Table 6. Agriculture, forestry and fisheries and area development both increased, with agriculture rising from 100 to 110 million USD and area development reaching 187 million USD in 2003 representing an increase of 48 percent.

Table 6: Top 5 Projects in Rural Development 2003

Rank	Project Title	Donors	Responsible Ministry	Type	Terms	Million USD
1	SMALL-SCALE PRO POOR INFRASTRUCT. VNX-3	JBIC	Ministry of Planning and Investment	CIP	Loan	34
2	RE-FINANCING OF RURAL BANK CREDIT-AFD	France/ MDF	N/A	ITC	Loan	27
3	QUANG NGAI RURAL DEVELOPMENT PROGRAMME	AUSAID	Ministry of Agriculture and Rural Development	FTC	Grant	25
4	RURAL INFRASTRUCTURE SECTOR (L)	ASDB	Ministry of Agriculture and Rural Development	CIP	Loan	22
5	ADB. AGRICULTURE SECTOR DEVELOPMENT PROGRAMME	ASDB	Viet Nam Bank for Agriculture and Rural Development	PBB	Loan	22

Source: UNDP Viet Nam DCAS

In 2003 support to agriculture, forestry and fisheries shifted from crops to livestock and fisheries. However, the distribution of ODA was still relatively equally distributed between support services with 19 million USD, industrial crops with 19 million USD, forestry with 24 million USD and fisheries with 11 million USD. The main donors involved in this sector were AsDB, World Bank and Denmark. A little more than 54 percent of disbursements in agriculture were in the form of loans from members of the Five Banks Initiative on Harmonization.

The share of area development increased to 63 percent of total disbursements in 2003 with 90 percent of the 187 million USD taking the form of integrated rural development projects financed by Japan, France, Australia, AsDB and EC. All projects reported in Table 6 are area development projects.

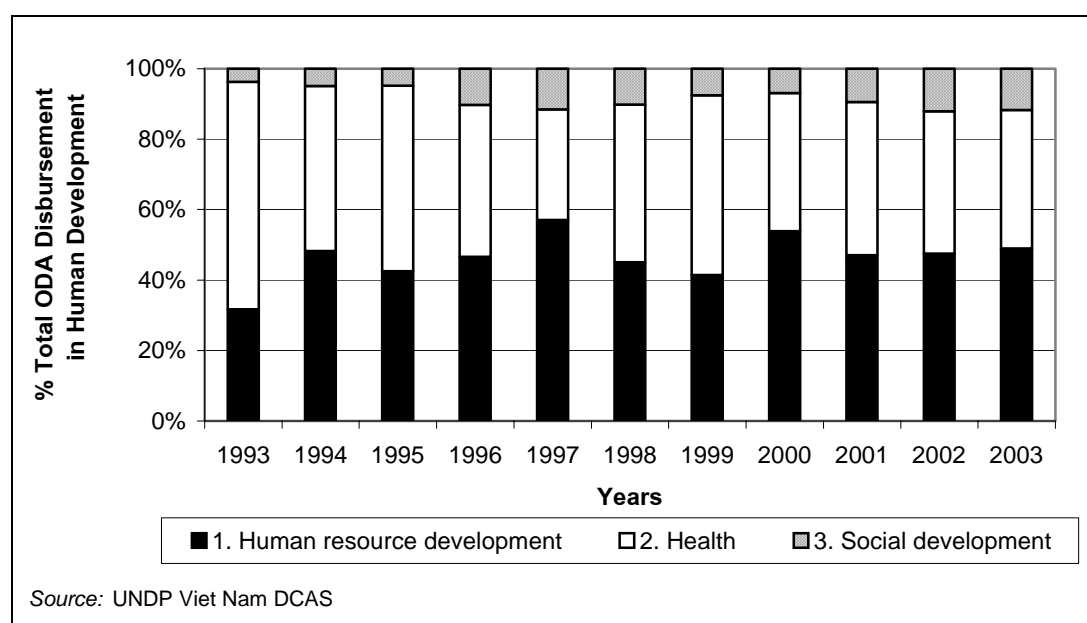
3.4. Human Development

The share of human development-related ODA remained broadly stable in 2003. Total disbursements in this category increased by 25 percent to 278 million USD. Non-US dollar disbursements represented 50 percent of the total, and therefore part of the recorded increase is due to exchange rate effects. In financial terms, grants represented 74 percent of total disbursements in this category with the remaining 26 percent of loans equally distributed between human resource development and health. FTC represented 69 percent of spending and CIP 23 percent. Twenty-four donors were active in this category. Japan remained the largest donor accounting for 16 percent or 44 million USD, mainly in human resources development. The World Bank

provided 34 million USD distributed between health and human resource development. France was the third largest donor with significant projects in the area of human resource development, particularly scholarships to study in France. The fourth largest donor was AsDB with 23 million USD in disbursements in 2003, mainly in human resource development. Regarding the number of projects and their size, the largest share of projects were in the human development category with around 380 projects in 2003, or around 50 projects fewer than 2002. The distribution by size of projects did not change between 2002 and 2003, with 86 percent of projects reporting disbursements below one million USD and 39 percent with disbursements between 100,000 and 500,000 USD.

Trends in the distribution of ODA disbursements in the human development category are presented in Figure 11. The figure shows that the relative shares of the three sub-categories have remained stable.

Figure 11: ODA Disbursements on Human Development



Between 2002 and 2003 spending on **human resource development** increased by 29 percent to 130 million USD. In financial terms, almost 80 percent of this amount was in grants and 28 million USD in loans. Loan disbursements were by AsDB on secondary schooling and technical and managerial education, and the World Bank on primary schooling and tertiary education. Loans were mainly directed to school construction and teacher training. By sub-sector, tertiary education ranked first with 30 percent of disbursements or 41 million USD, mainly as scholarships to Australia and France. Technical and managerial education and training was the second largest with 25 percent of disbursements and 33 million USD. However, the most substantial increases were in sector policy and planning and secondary schooling. This increase was related to the initial implementation of the Education for All Plan (EPA) 2003-2015. By donor, Japan ranked first with 24 percent of disbursements in human resource development, France second with 15 percent, followed by AsDB, Australia and the World Bank.

The **health sector** increased by 20 percent to 108 million USD. Sector policy and planning increased 55 percent to become the largest sub-sector representing expenditures of 33 million USD in 2003. Family planning (27 percent), immunization (18 percent) and hospitals and clinics (18 percent) were the next largest sub-categories. By donor, the World Bank represented 21 percent of disbursements in health mainly as ITC and CIP in sector policy and planning and family planning. Loans represented 34 percent of health disbursements in 2003 with 15 a million USD loan from the World Bank on sector policy and planning, a nine million USD loan from Korea for immunization, nine million USD from the World Bank and AsDB on family planning and a three million USD loan from Spain for hospital equipment.

Social development also increased by 20 percent to 32 million USD. Forty-four percent of total disbursements on social development were spent on legislation and administration, mainly by Sweden and the UN agencies. Nine million USD or 29 percent was spent on culture by Sweden and France while four million or 11 percent was dedicated to development support communications. Housing and the prevention of crime and drug abuse received only marginal attention and remain priority areas for additional assistance in the future.

Table 7 below presents the top 10 projects by disbursement in 2003 for human development.

Table 7: Top 10 Projects in Human Development 2003

Rank	Project Title	Donors	Responsible Ministry	Type	Terms	Million USD
1	WB/IDA NATIONAL HEALTH SUPPORT	WB	Ministry of Health	ITC	Loan	15
		NET		ITC	Grant	0.5
		SIDA		ITC	Grant	0.4
2	AUSTRALIAN DEVELOPMENT SCHOLARSHIP	AUSAID	Ministry of Education and Training	FTC	Grant	11
3	LOWER SECONDARY EDUCATION	ASDB	Ministry of Education and Training	CIP	Loan	9
		ASDB		FTC	Grant	1
		NZE/ MFAT		FTC	Grant	1
4	VACCINES PRODUCTION PROJECT	Korea/ KOICA	National Institute for Hygiene and Epidemiology	FTC	Loan	9
5	DISPATCH OF INDIVIDUAL EXPERT 02 – 03	JICA	N/A	FTC	Grant	9
6	MAE: STUDIES IN FRANCE II	FRANCE	N/A	FTC	Grant	8
7	WB POP. AND FAMILY HEALTH CARE	WB	National Committee for Population and Family Planning	CIP	Loan	8
8	HEALTH SYSTEM DEVELOPMENT PROGRAMME	EU	Ministry of Health	FTC	Grant	8
9	REPRODUCTIVE HEALTH INITIATIVE FOR YOUTH	EU	N/A	FTC	Grant	8
10	HIGHER EDUCATION PROJECT	WB	Ministry of Education and Training	CIP	Loan	6

Source: UNDP Viet Nam DCAS

3.5. Natural Resources and Industry

Spending in the category of natural resources and industry decreased in 2003 by 18 percent to 97 million USD. This was mainly due to the decrease in industry related ODA projects. The category as a whole now represents just five percent of total ODA, down from nine percent in 2002.

Natural resources increased by 35 percent from 2002 levels to represent 81 percent of the category. Around 80 percent of disbursements was in grants and 78 percent FTC. The main donors were Denmark (24 percent), Japan (15 percent), the World Bank (15 percent) and Australia (12 percent). By sub-sector, water resources planning represented 47 percent of disbursements in natural resources with Japan as the main donor followed by Australia and the World Bank. Twenty-five percent related to environmental preservation and rehabilitation with the EC, Denmark and Korea as the main donors. Finally, sector policy and planning represented 20 percent of disbursements mainly donated by Denmark.

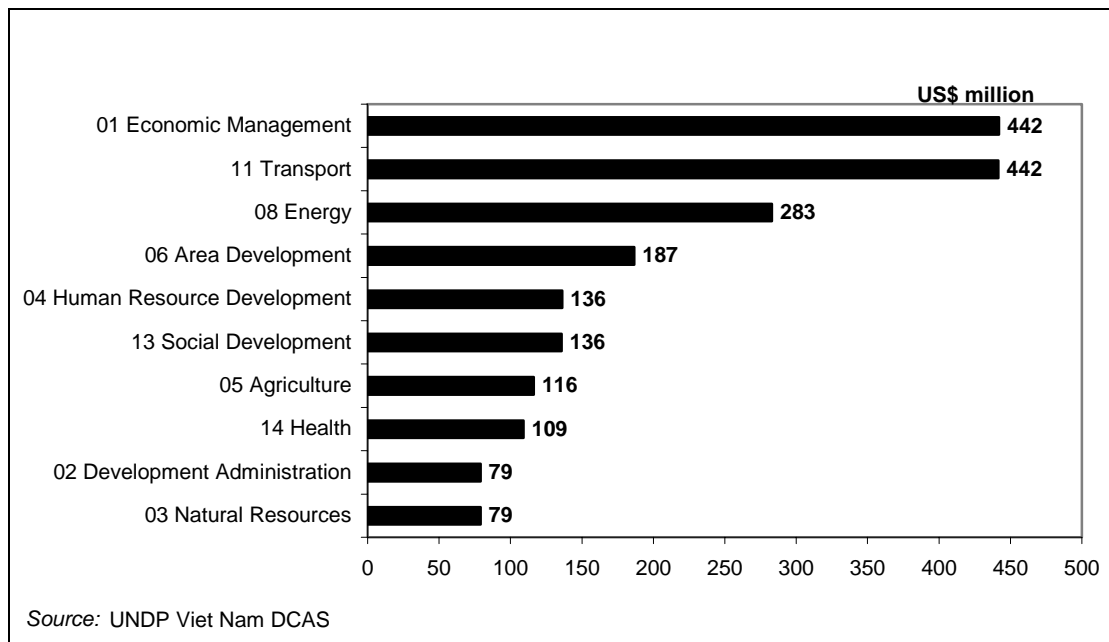
Industry reported a decline of 71 percent due to the end of the SOE Reform and Corporate Governance Credit of AsDB. The sector was dominated by disbursements in medium-scale industry projects with the Small and Medium Enterprise loan from JBIC as the main project in the industry sector.

3.6. Emergency and Relief

Emergency and relief remained the smallest category in terms of disbursements with just ten million USD in 2003, a fall of 32 percent. All disbursements were in grants, mainly FTC with 60 percent of total emergency and relief disbursements from the Australian government. The number of projects decreased from 36 in 2002 to 25 in 2003 whilst maintaining a stable size distribution: 88 percent of projects had disbursements below one million USD and 52 percent or 13 projects had disbursements between 50,000 and 100,000 USD.

Figure 12 presents a ranking of sectors as registered by the DCAS system according to ODA distribution. The economic management sector ranks first with 442 million USD followed by transport and energy.

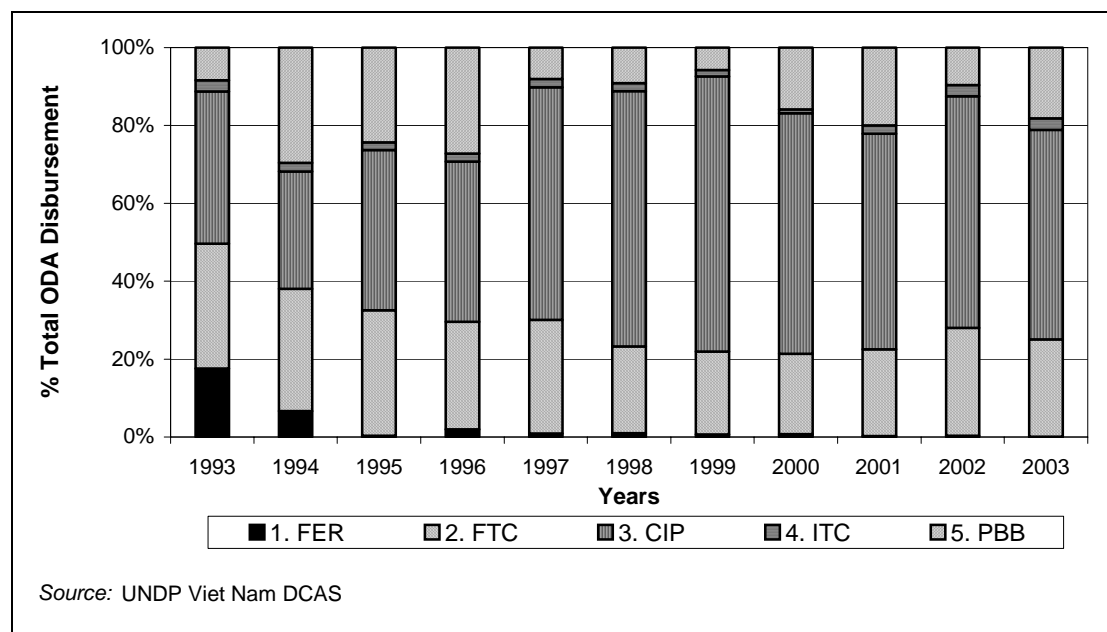
Figure 12: Top 10 ODA Sectors in 2003



4. ODA Distribution by Type of Assistance ⁴

Three trends have characterized the distribution of ODA disbursement by type of assistance. First, the share of Capital Investment Projects (CIP) has increased consistently. Second, Program/Budgetary aid or Balance-of-Payment Support (PBB) first increased, then decreased and then increased again. Third, Food and Emergency Relief (FER) related disbursements are now no longer significant as a share of ODA.

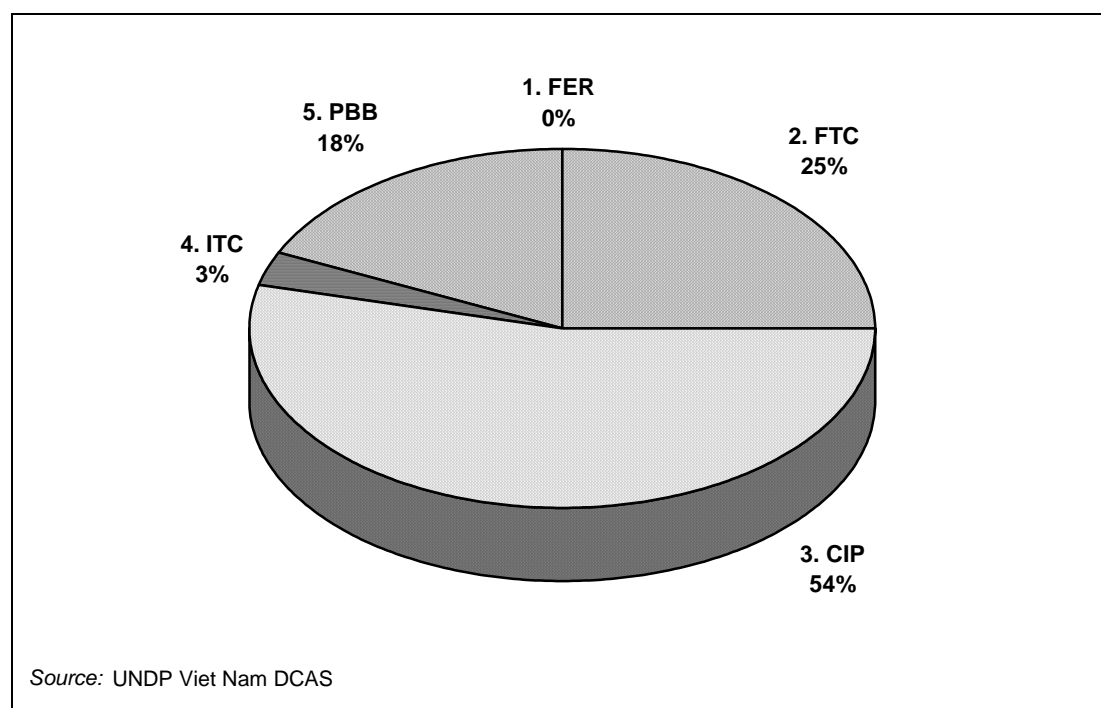
Figure 13: ODA Disbursements by Type of Assistance



The analysis of ODA by type of assistance presented in Figure 14 highlights the importance of three of the five types of assistance: Capital Investment Projects, Freestanding Technical Cooperation (FTC) and Program/Budgetary aid or Balance-of-Payment Support (PBB) also called, Quick Disbursing Assistance (QDA).

⁴ DCAS includes 7 different categories of assistance. However, due to the small number of projects and disbursements for some of these categories, the seven categories have been compressed into five: Food Aid (FOA) and Emergency and Relief Assistance (ERA) have been combined to form Food and Emergency Relief (FER); Investment Project Assistance (IPA) and Investment Project Technical cooperation (IPT) have been combined into Capital Investment Projects (CIP). The remaining three categories are the same as those recorded in DCAS.

Figure 14: ODA Disbursements by Type of Assistance - Year 2003



With disbursements of 1,114 million USD in 2003, **Capital Investment Project** remains the largest type of assistance accounting for 54 percent of total disbursement. Although as a percentage of total ODA this category declined slightly, in disbursement terms it has increased by almost 300 million USD. There were 180 CIP projects in 2003, a drop of around 40. Unlike other types of assistance, CIPs are characterized by a small number of large projects. In 2003, 54 percent of projects reported disbursements above one million USD and the top 20 projects in disbursement terms represented 53 percent of total CIP disbursements. Table 8 below presents the details of the top 10 CIP projects. Infrastructure projects continued to represent 70 percent of total disbursements or 780 million USD, with 24 percent in energy related projects and 35 percent in transport. The next category is human development with 12 percent or 134 million USD. Health related projects are the largest component of the human development CIP category. As expected, in terms of disbursements, 90 percent consisted of loans. The three main donors were Japan with 45 percent, the World Bank with 26 percent and AsDB with 17 percent of total CIP disbursements. The Five Banks Initiative was clearly prominent with 88 percent of the CIP disbursements.

Investment-Related Technical Cooperation (ITC) continued to represent just three percent of total ODA with an increase of around 15 million USD to 54 million USD in 2003. Of the 28 projects, two represented around 80 percent of total disbursements. The largest project was a French project, Refinancing of Rural Bank Credit, in rural development with a total disbursement for 2003 of 27 million USD in the form of a loan. The second largest project, the National Health Support Project, was a World Bank project co-financed by SIDA and the Netherlands Government with a total disbursement of 16 million USD consisting of a 15 million USD loan and one million USD in grant co-financing.

Table 8: Top 10 Projects in Capital Investment 2003

Rank	Project Title	Donors	Category	Responsible Ministry	Terms	Million USD
1	Rural Finance II	WB	Policy Support	Bank for Investment and Development of Viet Nam	L	57
2	Power Transmission and Distribution Project	WB	Infrastructure	Electricity Corporation of Viet Nam	L	50
		SIDA/ Sweden			G	1
3	Third Road Improvement - Segment 1 and 2	ADB	Infrastructure	Ministry of Transport	L	48
4	Phu My Thermal Power Plan Project	JBIC/ Japan	Infrastructure	Ministry of Finance	L	41
5	Small-scale Pro Poor Infrastructure Development Project	JBIC/ Japan	Rural Development	MPI	L	34
6	Pha Lai Thermal Power Plant Project	JBIC/ Japan	Infrastructure	MPI	L	29
7	National Highway No.10 Improvement Project	JBIC/ Japan	Infrastructure	Ministry of Transport	L	29
8	Rural Energy	WB	Infrastructure	Ministry of Industry	G	29
9	Phu My - Ho Chi Minh city 500 KV Transmission Line Project	JBIC/ Japan	Infrastructure	MPI	L	27
10	Dai Ninh Hydropower Project VN VIII-3	JBIC/ Japan	Infrastructure	MPI	L	26

Source: UNDP Viet Nam DCAS

Even given the substantial increase in PBB, **Freestanding Technical Cooperation** remained the second largest ODA type of assistance by disbursement, representing around 510 million USD and 25 percent of total ODA in 2003. This was an increase of almost 130 million USD over 2002. Although total disbursements significantly increased the number of projects fell by 80 to a total of 820 in 2003. FTC represented around 72 percent of the total number of projects in 2003. Around 88 percent of all projects in this category reported disbursements smaller than one million USD. The largest project by disbursement with around 25 million USD was an AusAid rural development project in Quang Ngai. One hundred projects reported disbursements above one million USD. In terms of disbursements, 95 percent of funds took the form of grants with Japan, Australia and EU member countries as the main donors. Human development related projects represented 37 percent in disbursement terms with the education sector totalling 19 percent and the health sector 13 percent of the total. Rural development projects accounted for 22 percent of disbursements and were mainly area development projects. In terms of the harmonization process, FTC is key due to the large number of relatively small projects, the fact that they are mainly grants and finally that they target sectors clearly related to poverty reduction.

Table 9: Top 10 Projects in Freestanding Technical Cooperation 2003

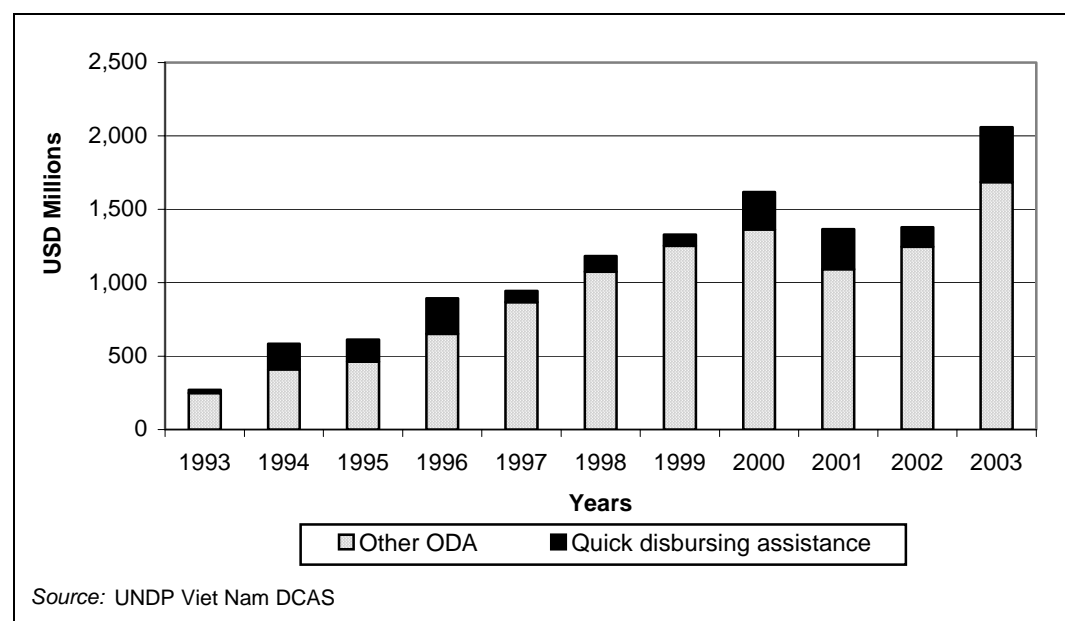
Rank	Project Title	Donors	Category	Responsible Ministry	Terms	Million USD
1	Quang Ngai Rural Developed Programme - Phase I	AUSAID	Rural Development	MARD	G	25
2	National Rural Water Supply and Sanitation	DANIDA	Other Sectors	Ministry of Construction	G	15
3	Australian Development Scholarship	AUSAID	Human Development	MOET	G	11
4	Hopper Suction Dredger	Germany	Infrastructure	N/A	L	11
5	Project for Reconstruction of Bridges in Mekong Delta Area	Japan	Infrastructure	N/A	G	11
6	Project for Reconstruction of Bridges in Central Viet Nam	Japan	Infrastructure	N/A	G	9
7	Vaccines Production Project	KOICA/ Korea	Human Development	National Institute of Hygienic and Epidemiology	L	9
8	Cao Bang, Bac Kan Rural Development Project	EC	Rural Development	MARD	G	9
9	Dispatch of Individual Experts 2002-2003	JICA/ Japan	Human Development	N/A	G	9
10	Support to Studies in France II	France	Human Development	N/A	G	8

Source: UNDP Viet Nam DCAS

The category of **Food and Emergency Relief (FER)** declined both in terms of the number of projects and total disbursements. Representing almost 18 percent of ODA in 1993, in the last five years this category has accounted for no more than one percent of funds. In 2003, this category included 16 projects with little more than two million USD in disbursements. Projects and disbursements fell by almost 50 percent this year. Most projects were in the area of capacity building for disaster management and emergency response. Japan, US and the European Commission are the largest donors, representing 50 percent of total Food and Emergency Relief disbursement. Although this category represents a fraction of total ODA it is worth stressing that emergencies and natural disasters pose a significant threat to Viet Nam's achievement of lifting a significant proportion of the population above the poverty line.

The apparently erratic trend of **Quick Disbursing Assistance (QDA)** (Figure 15) is due to the timing of the World Bank's PRSC and the expiration of the IMF's PRGF. If the two projects had been implemented as planned QDA assistance would have risen steadily in absolute terms and as a proportion of total ODA disbursements.

Figure 15: Quick Disbursing Assistance



QDA rose from 132 million USD in 2002 to 375 million USD in 2003. The increase is partly due to the disbursement of 189 million USD from the first PRSC in the beginning of 2003 instead of the end of 2002 as planned. The second PRSC disbursed 117 million USD in 2003. These two projects alone represent 82 percent of total disbursements of QDA and 15 percent of total ODA disbursements in 2003. In financial terms, 83 percent consisted of loans and 17 percent of grants. Table 10 presents disbursements by donor between 2001 and 2003. The World Bank (71 percent) and the AsDB (12 percent) were the main donors in 2003. It is worth noting that 23 million USD of debt cancellation was recorded mainly by the Italian Ministry of Foreign Affairs. In sector terms, 93 percent of disbursements were channelled to policy support for the Government's poverty alleviation efforts and six percent to rural development from AsDB. Both PRSCs were the responsibility of the State Bank of Viet Nam.

Table 10: Quick Disbursing Assistance 2001-2003 (thousand USD)

Donor	2001	2002	2003
World Bank	144,547	1,237	266,940
ASDB	603	49,595	43,357
Italy	-	2,614	23,978
Netherlands	4,993	5,165	20,276
United Kingdom	10,049	9,986	13,692
Denmark	5,331	4,824	5,617
Switzerland	1,069	180	807
Norway	-	121	356
UN	-	-	285
Australia	-	547	149
Sweden	-	1,868	-
IMF	105,000	56,283	-
Canada	214	119	-
Total	271,806	132,539	375,457

Source: UNDP Viet Nam DCAS

Table 11: Top 5 Projects in Quick Disbursing Assistance 2003

Rank	Project Title	Donors	Category	Responsible Ministry	Terms	Million USD
1	I Poverty Reduction Support Credit	WB	Policy Support	State Bank of Viet Nam	L	160
		DANIDA			G	6
		DFID			G	13
		Netherlands			G	10
2	II Poverty Reduction Support Credit	WB	Policy Support	State Bank of Viet Nam	L	107
		Netherlands			G	10
3	Debt Cancellation for Viet Nam	Italy	Policy Support	N/A	G	23
4	Agriculture Sector Development	ADB	Rural Development	Viet Nam Bank for Agriculture and rural Development	L	22
5	Financial Sector Programme II	ADB	Policy Support	State Bank of Viet Nam	L	21

Source: UNDP Viet Nam DCAS

In the 2003 Development Cooperation Report, OECD placed a strong emphasis on the link between accountability and the prospects for global ODA. The reports goes on to say that,

The evolution of aid programs in many countries into support for national or sectoral programs set out in poverty reduction strategies and similar approaches sharpens these questions... How is the world progressing towards the desired outcomes set out in the MDGs and how far are development assistance programs contributing to progress... Without credible, independent assessments, the donor community is dangerously short of reliable feedback on the effectiveness of its overall efforts to support progress towards the MDGs, and of good accounting to parliaments, public opinion and those who take decisions on the scale of future efforts. (OECD 2004)

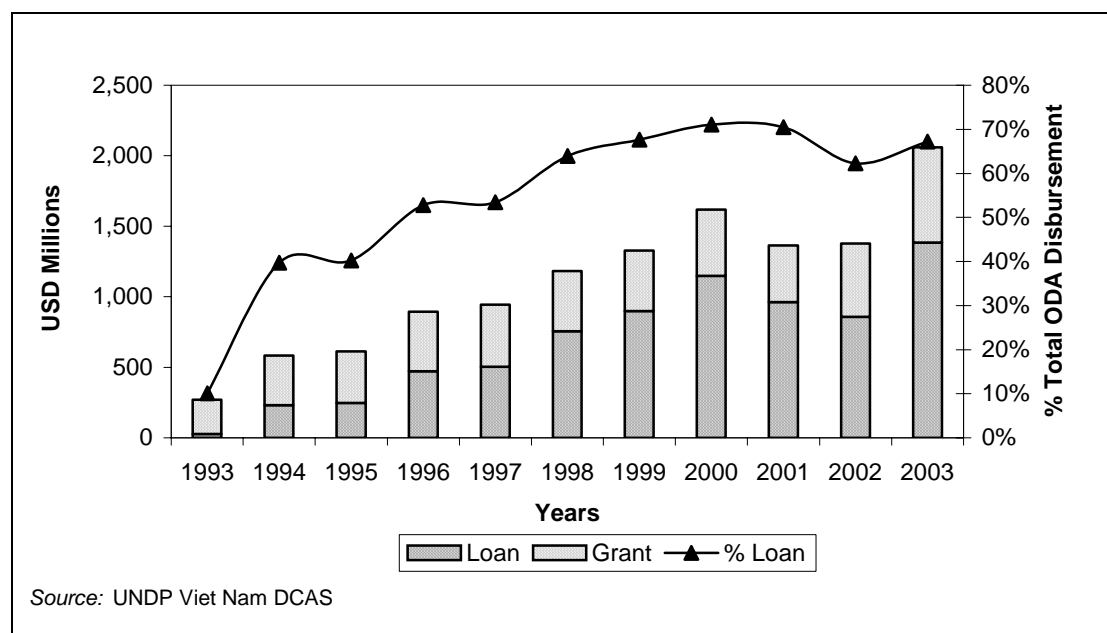
If, as the previous observations suggest, there is a tendency to move from a project approach towards direct budget support, the issue of transparency and accountability in public sector expenditures, particularly on state pro-poor initiatives, will emerge as a crucial focus of donor and government activity. The Government of Viet Nam and its development partners must work together to improve the quality of national statistics including the national accounts, census and survey data. These improvements are valuable in their own right, and will also form the basis of future ODA evaluation efforts.

5. ODA Distribution by Financial Terms

Loans have comprised 60 to 70 percent of ODA in financial terms since 1996. In 2003, loans accounted for 67 percent of total ODA or 1.4 billion USD. Fifty-three percent of loans were channelled into infrastructure and 28 percent into policy support mainly through the PRSC. The Five Banks Initiative accounted for 92 percent of loans and the World Bank and Japan together account for 74 percent. Grants comprised 23 percent of total ODA distributed among four categories: infrastructure (17 percent), human development (30 percent), policy support (21 percent) and rural development (20 percent). Japan delivered 15 percent of grant aid, and the Like-Minded Donors Group accounted for nearly half of the total.

In terms of the number of projects, only 11 percent took the form of loans while 89 percent were grants. While 86 percent of grant projects had disbursements smaller than one million USD, 73 percent of loan projects had disbursements larger than this amount.

Figure 16: ODA Disbursements by Terms



Previous overviews of ODA have stressed the importance of improving the allocative efficiency of funds and avoiding the debt trap and aid dependency (UNDP 2002 and UNDP 2003). A UNDP commissioned debt portfolio review for Viet Nam issued in November 2003, stated that,

all the indicators show that, at present [November 2003], Viet Nam's debt is at a sustainable level... [This] has been largely achieved through a series of restructuring initiatives through Paris, London Clubs and with Russia. A reduction of over 11 billion USD has been obtained. External debt to GDP has decreased from nearly 174 percent in 1993 to 39 percent in 2002.⁵

⁵ UNDP Project of the Government of Viet Nam: Capacity Development for Effective and Sustainable External Debt Management: Debt Portfolio Review Report of November 2003.

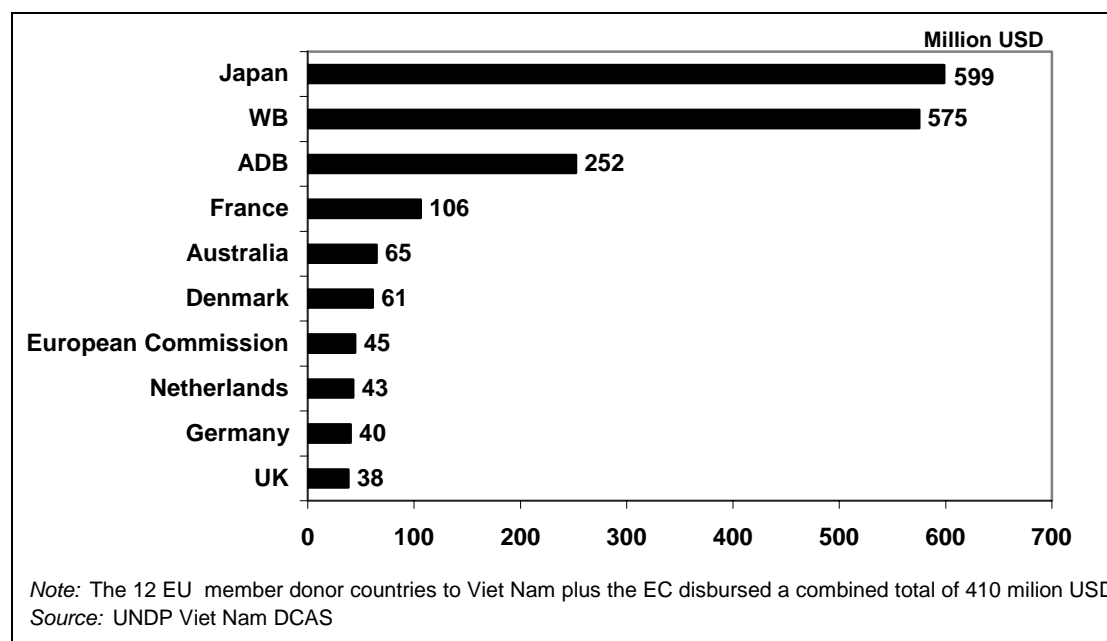
Viet Nam will continue to enjoy concessional financing for some years to come. However, planning should begin now to ensure that the country has sufficient access to development finance over the long period.

6. ODA Distribution by Donor

In 2003, 25 bilateral donors in addition to the World Bank, the Asian Development Bank, the UN Agencies and other multilateral organizations reported ODA disbursements in Viet Nam. The top four donors of 2002, namely Japan, the World Bank, the AsDB and France, remained at the top of the list (Figure 17). However, some movements were recorded in the bottom six positions in 2003. The IMF and the United Nations agencies fell out of the top ten, replaced by the European Commission and the Netherlands. Australia jumped from eighth to fifth place.

The top ten donors represented around 88 percent of total ODA disbursements with around 580 projects or 52 percent of all projects reported in 2003. With over 100 projects, Japan was ranked first followed by AsDB with 93, the Netherlands with around 70 projects, including NGOs. The rest of the top ten donors each had between 30 and 60 projects.

Figure 17: Top 10 Donors by Disbursement in 2003



Japan substantially increased disbursements in 2003 to 599 million USD, an increase of 90 percent. As mentioned above, the increase is partly explained by the depreciation of the USD as 90 percent of Japan ODA was disbursed in yen. Nevertheless, the level of disbursements in yen almost doubled to 58 billion yen. The Japanese share of total ODA in Viet Nam increased from one fifth to more than one quarter in 2003. Japan financed 115 projects with 55 percent reporting disbursements above one million USD. The Japanese Bank for International Cooperation (JBIC) accounted for 36 percent of these projects and 83 percent of total disbursements or 495 million USD. CIP projects represented 41 percent of Japan-financed projects and 504 million USD or 84 percent of the disbursements with an average of 10 million USD per project. Forty seven percent of the Japanese projects were in the infrastructure sector representing 473 million USD in disbursements or 79 percent of

Japanese ODA. The focus on infrastructure can be seen in Table 12. Infrastructure takes up four of the top five Japanese projects by disbursement. Rural development projects accounted for ten percent of disbursements or 58 million USD, but just six percent of the Japanese projects. Finally, human development represented seven percent (44 million USD) of Japan's total disbursement.

Table 12: Japan: Top 5 Projects 2003

Rank	Project Title	Responsible Ministry	Category	Type	Terms	Million USD
1	Phu My Thermal Power Plant	Ministry of Finance	Infrastructure	CIP	Loan	41
2	Small-Scale Pro Poor Infrastruct	Ministry of Planning and investment	Rural Development	CIP	Loan	34
3	Pha Lai Power Plant III	Ministry of Planning and investment	Infrastructure	CIP	Loan	29
4	National Highway No. 10	Ministry of Transport	Infrastructure	CIP	Loan	29
5	Phu My - HCMC 500KV Transmission Line	Ministry of Planning and investment	Infrastructure	CIP	Loan	27

Source: UNDP Viet Nam DCAS

Table 13: World Bank: Top 5 Projects 2003

Rank	Project Title	Responsible Ministry	Category	Type	Terms	Million USD
1	Poverty Reduction Support Credit	State Bank of Viet Nam	Policy Support	PBB	Loan	160
2	Second Poverty Reduction Support Credit	State Bank of Viet Nam	Policy Support	PBB	Loan	107
3	Rural Finance II	Bank for Investment and Development of Viet Nam	Policy Support	CIP	Loan	57
4	Power Transmission	Electricity Corporation of Viet Nam	Infrastructure	CIP	Loan	51
5	Rural Energy	Ministry of Industry	Infrastructure	CIP	Grant	29

Source: UNDP Viet Nam DCAS

The **World Bank** was the second largest donor in 2003. However, half of the 2003 increase can be traced to the disbursement of the final 160 million USD of the first PRSC at the beginning of 2003 rather than the end of 2002. Table 13 shows how the disbursement of the first and second PRSCs affected the 2003 totals. Nevertheless, even if the disbursement had taken place in 2002, the World Bank would still have been the second largest donor in 2003. With a 112 percent increase over 2002, total disbursements reached 575 million USD or 27 percent of total ODA in 2003. Twenty-six projects (67 percent) reported disbursements above one million USD. Loans accounted for 93 percent of total disbursements and seven percent grants. The bulk of grants related to the second Rural Finance Program, which is the fifth largest World Bank project. The increase in World Bank disbursements was concentrated in policy support, which increased from six to 334 million USD. Policy support represented 58 percent of total disbursement by the World Bank and 60 percent of loans. The second largest category was infrastructure representing 30 percent of disbursements or 175

million USD and 24 percent of the total loans disbursed by the World Bank in 2003. Desegregation of infrastructure support shows that disbursements to the energy sector increased from 61 to 83 million USD and transport fell from 92 to 70 million USD. Rural development disbursements fell from 34 to 19 million USD.

In 2003 the **Asian Development Bank** (AsDB) reported a 5.5 percent (13 million USD) increase in disbursements, significantly less than the 30 percent increase recorded in 2002. AsDB was the third largest donor by disbursement, accounting for 12 percent of total ODA or 252 million USD. In 2003 the AsDB shifted the focus of disbursements. Policy support rose from 14 to 60 million USD and rural development almost doubled to 66 million USD. On the other hand industry, which had grown significantly in 2002, declined by 49 million USD to a little more than 0.5 million USD. The fall in energy and transport disbursements also resulted in a decrease in infrastructure. However, infrastructure remained the largest sector for AsDB disbursements accounting for 99 million USD or 40 percent of disbursements and 22 percent of projects. The second largest category was rural development with 26 percent of AsDB disbursements and 20 percent of projects. Third was policy support with 24 percent of AsDB disbursements comprised mainly of the second Financial Sector Program (21 million USD), Micro and Small Enterprise Development (19 million USD) and Public Administration Report Programme (16 million USD). In financial terms, 233 million USD or 92 percent of AsDB disbursements were loans and 19 million USD, or eight percent, grants. Regarding the type of assistance, 76 percent was CIP in infrastructure, rural development and policy support. 17 percent was PBB equally distributed between policy support and rural development. Finally, 69 percent of AsDB disbursements, around 90 projects, were below one million USD, of which a large concentration (45 percent) were between 100,000 and 500,000 USD.

Table 14: Asian Development Bank: Top 5 Projects 2003

Rank	Project Title	Responsible Ministry	Category	Type	Terms	Million USD
1	Third Road Improvement Segment 1+2	Ministry of Transport	Infrastructure	CIP	Loan	48
2	Rural Infrastructure Sector	Ministry of Agriculture and Rural Development	Rural Development	CIP	Loan	22
3	Agriculture Sector Development	Viet Nam Bank for Agriculture and Rural Development	Rural Development	PBB	Loan	22
4	Financial Sector Programme II	State Bank of Viet Nam	Policy Support	PBB	Loan	21
5	Ho Chi Minh city to Phnompenh Highway	Ministry of Transport	Infrastructure	CIP	Loan	21

Source: UNDP Viet Nam DCAS

As in 2002, **France** was the second largest bilateral donor and the fourth largest overall. However the 17 percent increase in disbursement of dollar denominated ODA can largely be attributed to the depreciation of the USD against the euro. In euros, France's total disbursements remained almost the same. There were, however, significant changes in the allocation of French ODA. Rural development, although slightly down on 2002, remained the largest category at 38 million USD and these

resources were mainly delivered in the form of ITC and CIP loans. Within this category, disbursements to agriculture were reduced and area development increased. The second largest category was infrastructure with 30 million USD in disbursements or 28 percent of all French aid. Within this category disbursements to the transport and energy sectors almost doubled. French infrastructure projects were mainly in the form of CIP loans. Human development represented 26 percent of total French ODA to Viet Nam in 2003, mainly in grant form. The third largest project presented in Table 15, the second Studies in France Program, supports university scholarships. Policy support, which represented nine percent of total French disbursements, was in the form of FTC and grants and more than tripled from three to ten million USD. In financial terms, 71 million USD or 67 percent of French disbursements were in the form of loans. Forty one percent of disbursements were in CIP, 33 percent in FTC and 26 percent in ITC. Seventy one percent of the 59 projects reported a disbursements below one million USD. Two projects reported disbursements above ten million USD.

Table 15: France: Top 3 Projects 2003

Rank	Project Title	Responsible Ministry	Category	Type	Terms	Million USD
1	Re-financing of Rural Bank Credit	N/A	Rural Development	ITC	Loan	27
2	Support to Transport Sector	N/A	Infrastructure	IPA	Loan	14
3	Studies in France II	N/A	Human Development	FTC	Grant	8

Source: UNDP Viet Nam DCAS

Australia jumped to fifth in the donor ranking with a 76 percent increase in disbursements, rising from 37 to 65 million USD. In 2003 Australian ODA to Viet Nam consisted solely of grants, mainly FTC. Rural development represented 28 million USD or 41 percent of Australian disbursements. Human development represented 25 percent or 17 million USD, 11 million USD of which took the form of tertiary education scholarships in Australia (see Table 16 below). Nine million USD was disbursed on natural resource related projects and another six million in emergency and relief. A single project, the Disaster Mitigation for Central Viet Nam accounted for four million USD in 2003. Finally, 84 percent of Australian projects reported disbursements below one million USD with just two projects with disbursements over 10 million USD, as listed in Table 16.

Table 16: Australia: Top 3 Projects 2003

Rank	Project Title	Responsible Ministry	Category	Type	Terms	Million USD
1	Quang Ngai Rural Developed Programme	Ministry of Planning and Investment	Rural Development	FTC	Grant	25
2	Australian Development Scholarship	Ministry of Agriculture and Rural	Human Development	FTC	Grant	11
3	Three Delta Town Water Supply and Sanitation	N/A	Natural Resources	FTC	Grant	8

Source: UNDP Viet Nam DCAS

With 61 million USD of disbursements **Denmark** remained the sixth largest donor in Viet Nam. As Danish ODA was reported in euros, the 16 percent increase in spending in 2003 was chiefly due to the depreciation of the USD. Like Australia, all Danish ODA was in grant form. The distribution of Danish ODA remained largely unchanged. The natural resources sector represented 31 percent of Danish ODA. Rural development represented 19 million USD or 30 percent of total Danish disbursement in 2003. The two largest projects in rural development are presented in Table 17. Policy support represented 26 percent of Danish disbursements distributed between FTC, CIP and PBB, including the Danish contribution to the first PRSC. Thirty two million USD or 52 percent of the disbursements took the form of FTC, 24 million USD or 39 percent CIP, and the rest PBB. Three-fourths of Danish projects reported disbursements below one million USD with only one project above 10 million USD. Ten projects were valued between one and 10 million USD.

Table 17: Denmark: Top 3 Projects 2003

Rank	Project Title	Responsible Ministry	Category	Type	Terms	Million USD
1	Rural Water and Sanitation Study	N/A	Natural Resources	FTC	Grant	15
2	Agricultural Sector Programme Support	Ministry of Agriculture and Rural Development	Rural Development	CIP	Grant	7
3	Programme Support to Fishery Sector	Ministry of Fisheries	Rural Development	CIP	Grant	6

Source: UNDP Viet Nam DCAS

The **European Commission** (EC) increased disbursements in Viet Nam by 74 percent to become the seventh largest donor with a total of 45 million USD. It is worth noting that the combined ODA disbursement of the European Union in Viet Nam was 410 million USD, more than the AsDB. Like Australia and Denmark, EC disbursement was in the form of grants, mainly FTC. Rural development represented 10 million USD or 43 percent of total EC spending with area development as the largest sector. Human development, which comprised 41 percent of EC disbursements in Viet Nam in 2003, was mainly concentrated in health. The two largest health projects in the EC represented almost the 100 percent of the 16 million USD disbursed in health (Table 18). In terms of project size, only seven EC projects reported disbursements above one million USD with 77 percent of the 31 projects reporting disbursements below one million USD.

Table 18: European Commission: Top 3 Projects 2003

Rank	Project Title	Responsible Ministry	Category	Type	Terms	Million USD
1	Cao Bang, Bac Kan Rural Development	Ministry of Agriculture and Rural Development	Rural Development	FTC	Grant	9
2	Health System Development Programme	Ministry of Health	Human Development	FTC	Grant	8
3	Reproductive Health Initiative for Youth	N/A	Human Development	FTC	Grant	8

Source: UNDP Viet Nam DCAS

The **Netherlands** substantially increased disbursements by 58 percent, to 42 million USD in 2003. The Netherlands was the only co-financer of both the first and second PRSCs in 2003 (see Table 19). As stated above, the delay in the disbursement of the last part of the first PRSC meant that the Netherlands contributed to two large disbursements in 2003. This had a large effect on the distribution of Dutch ODA to Viet Nam as 59 percent of disbursements were related to policy support and 46 percent in the form of PBB. Other significant categories include rural development with a disbursement of six million USD, human development (five million USD), infrastructure (three million USD) and natural resources (three million USD). If the last part of the first PRSC had been disbursed in 2002 as planned, Dutch disbursements would have been equally distributed between five of the six categories. However, Netherlands would not have been among the top ten donors in 2003. Regarding the size of projects, 89 percent reported disbursements below one million USD.

Table 19: Netherlands: Top 3 Projects 2003

Rank	Project Title	Responsible Ministry	Category	Type	Terms	Million USD
1	Poverty Reduction Support Credit	State bank of Viet Nam	Policy Support	PBB	Grants	10
2	Second Poverty Reduction Support Credit	State bank of Viet Nam	Policy Support	PBB	Grants	10
3	Search and Rescue Vessels	N/A	Infrastructure	FTC	Grants	2

Source: UNDP Viet Nam DCAS

Germany remained the ninth largest donor, with spending constant in euro terms. In 2003 Germany provided most of its ODA as FTC distributed as 71 percent grants and 29 percent loans. Infrastructure represented 32 percent of total German disbursements or 13 million USD, mainly in the form of loans. Rural development received 11 million USD or 27 percent of disbursements and Human development 10 million or 24 percent. Table 21 presents the largest project in each category. Forty-six percent of German projects reported disbursements between 100,000 and 500,000 USD and 77 percent disbursements below one million USD.

Table 20: Germany: Top 3 Projects 2003

Rank	Project Title	Responsible Ministry	Category	Type	Terms	Million USD
1	Hopper Suction Dredger	N/A	Infrastructure	FTC	Loan	11
2	Programme for Health and Family III	National Committee for Population and Family Planning	Human Development	FTC	Grant	4
3	Small projects in Rural Development, Health	N/A	Rural Development	FTC	Grant	2

Source: UNDP Viet Nam DCAS

The **United Kingdom** remained the tenth largest donor in Viet Nam in disbursement terms in 2003. UK disbursements increased by 22 percent to 38 million USD, all in grants. Distribution by categories was clearly dominated by policy support with 18 million USD or 46 percent of UK ODA in Viet Nam in 2003. This was followed by infrastructure worth 7.6 million USD (20 percent) human development at 6.5 million (17 percent) and rural development at 6.4 million (16 percent). Approximately half of

UK disbursements took the form of FTC and 35 percent or 14 million PBB. Ninety seven percent of projects reported disbursements below one million USD with 39 percent reporting disbursements of between 100,000 and 500,000 USD. Table 21 below shows the three largest projects by disbursement in 2003.

Table 21: United Kingdom: Top 3 Projects 2003

Rank	Project Title	Responsible Ministry	Category	Type	Terms	Million USD
1	Poverty Reduction Support Credit	State Bank of Viet Nam	Policy Support	PBB	Grant	11
					Grant	2
2	Rural Transport II	Ministry of Transport	Infrastructure	FTC	Grant	4
				CIP	Grant	3
3	VN - TA on State Enterprise Reform	N/A	Policy Support	FTC	Grant	2

Source: UNDP Viet Nam DCAS

Over the last few years some donors have organized ODA harmonization groups. The two main harmonization groups are the Five Banks Initiative, consisting of multilateral and bilateral development banks, and the Like-Minded Donors Group, consisting of ten bilateral donors.⁶

Figure 18 shows the shares of the two groups' disbursements over time. Since 1997 the two groups together have represented between 70 and 80 percent of total ODA in Viet Nam. Since 1995 the total ODA disbursed by members of the Five Banks Initiative has risen in steps to reach 1.3 billion USD in 2003. In 2003, the Five Banks Initiative represented 65 percent of total ODA disbursements in Viet Nam, three percentage points less than the peak level of 68 percent in 2000. The Like-Minded Donors Group has also increased disbursements this year but the overall trend is less apparent. In 2003, the group disbursed a total of around 270 million USD or 16 percent of total ODA to Viet Nam. Historically the share of ODA disbursed by the Like-Minded Donors Group has accounted for between 12 and 17 percent of total ODA.

Figure 19 presents the number of projects by harmonization groups. The share of the two groups has risen over time as the Five Banks have launched more projects in Viet Nam. At present the two groups account for roughly half of all projects.

The members of the Five Banks Initiative concentrate disbursements in infrastructure (54 percent of total 2003 disbursements), policy support (30 percent) and rural development (10 percent). Unlike the banks, the Like-Minded Donors Group distribute their projects more equally among the different categories: policy support accounts for 26 percent, rural development 24 percent, human development 20 percent, infrastructure 14 percent and natural resources and industry 14 percent. There are also clear differences in the type of assistance offered: the Five Banks disbursed 74 percent as CIP and 23 percent as PBB while the Like-Minded Donors Group 70 percent as FTC, 15 percent as CIP and 12 percent as PBB.

⁶ The Five Banks Initiative comprised the World Bank, the Asian Development Bank, the Japanese JBIC, French ADF and German KfW. The Like-Minded Donors Group includes Australia, Canada, Denmark, Finland, Germany, Netherlands, Norway, Sweden, Switzerland and United Kingdom.

Figure 18: Disbursements by Harmonization Groups

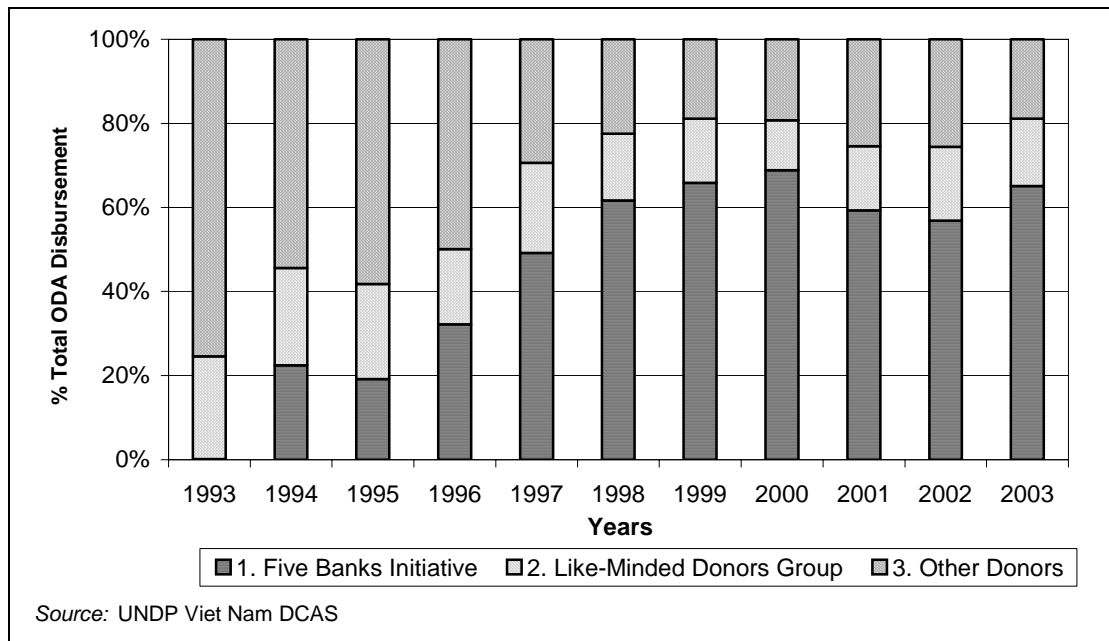
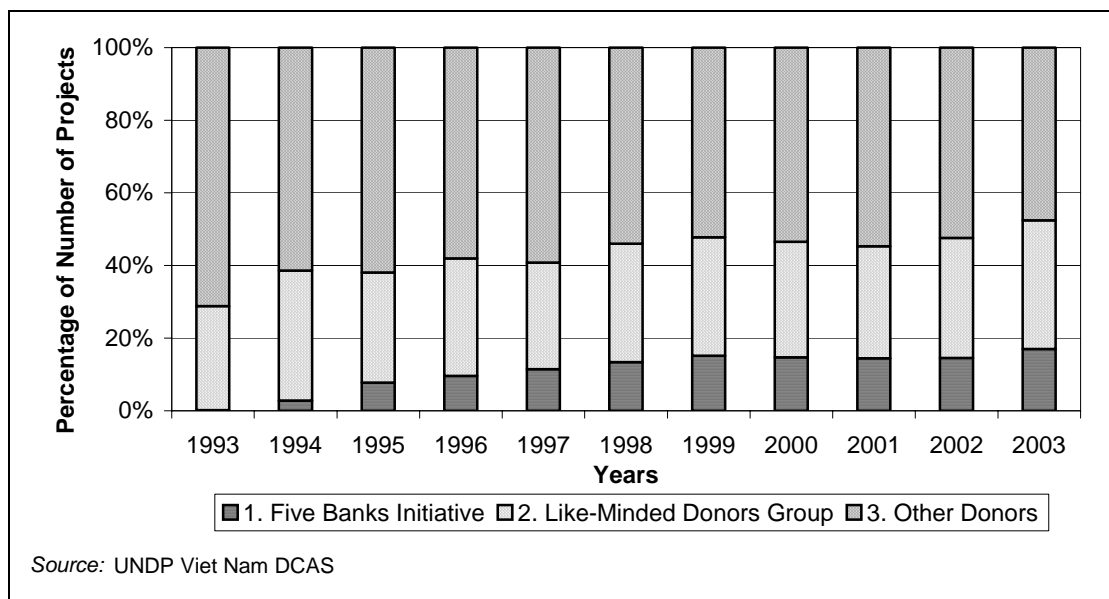


Figure 19: Number of Projects by Harmonization Group



Regarding the size of projects, the difference between the donor groups is evident. Half of the Development Banks Group projects were valued at more than one million USD and 23 percent were larger than 10 million USD. The Like-Minded Donors Group focused on small projects with 83 percent reporting disbursements below one million USD in 2003 and only six projects with disbursements up to 10 million USD.

7. ODA Distribution by Region

The increasing size and significance of projects that are national in their form but decentralized in their implementation reduces the relevance of existing statistics on ODA distribution by region.

This problem was particularly relevant in 2003. Two large projects, the first and second PRSCs represent around 15 percent of total disbursements. More accurate reporting of regional disbursements by national projects and programs is needed to facilitate the analysis of the geographic distribution of ODA flows.

Bearing in mind these data problems, in 2003 around 48 percent of total ODA disbursements or 997 million USD can be directly attributed to specific provinces. The regional distribution of ODA appears in Table 22. This represents an increase of 24 percent over 2002, surpassing the previous record in 2000 of 954 million USD. Even if there is a clear increase in total ODA attributed to specific provinces, as a proportion of ODA it is less than the 58 percent recorded in 2002. One reason for this contradiction is the substantial increase in total ODA in 2003 of which a significant proportion was reported at the national level.

The remaining 52 percent of total ODA in 2003 was disbursed mainly through central government agencies and nationwide programs with benefits broadly distributed across the provinces and regions of Viet Nam. Projects such as the two PRSCs, Rural Finance II, Power Transmission and Distribution, and the Small-scale Pro-poor Infrastructure Development from the 2003 top ten projects list in terms of disbursements fall into this category.

ODA disbursements in absolute terms have increased in all regions other than Ha Noi. Regions such as the Northern Uplands and the Mekong Delta achieved 2000 levels. The South Central Coast has continued its year on year increase. In 2003 Ha Noi more or less maintained 2002 levels and remained below 2000 levels, while Ho Chi Minh City increased disbursements by 18 million USD over 2000 levels.

In 2003, the South Central Coast region received a substantial increase in ODA disbursements of almost 40 million USD. As in previous years, projects in rural energy, water supply and transport infrastructure were responsible for the increase. However, in 2003 the Mekong Delta region reported the largest increase totalling almost 54 million USD, an increase of nearly 50 percent over 2002. Projects in the Mekong Delta region are concentrated in transport infrastructure and natural resources.

In previous years the regional distribution of ODA has mirrored the regional distribution of poor households. This year witnessed a slight reversal of this trend. Regions such as the Northern Uplands or Central Highlands continued to experience a fall in their regional allocations of ODA despite a growing share of poor households. Other regions including the Southeast and South Central Coast continued to receive allocations of ODA well above their share of poor households. On the other hand, regions such as Central Highlands and North Central Coast received ODA allocations beneath the level warranted by their share of poor households.

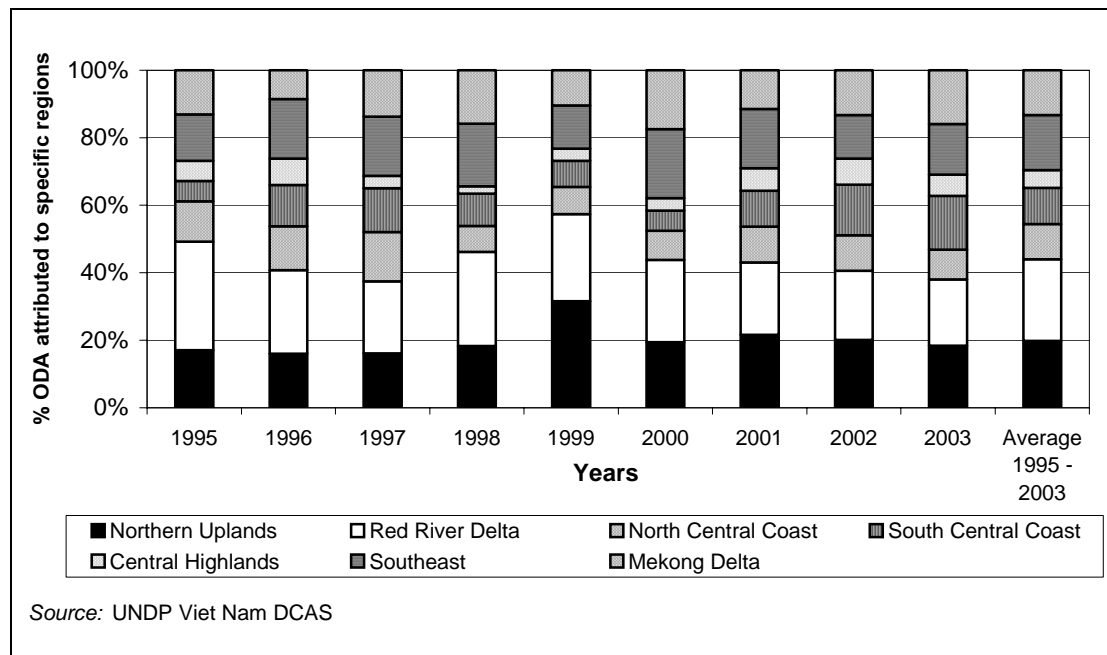
Table 22: Regional Distribution of ODA Allocated to Specific Provinces and Urban Authorities ⁷

Region	ODA (Million USD)			% Share of Regional Allocation			% Share of Population			Share of poor households. VHLSS 2002	ODA per capita (USD)		
	2001	2002	2003	2001	2002	2003	2001	2002	2003		2001	2002	2003
Northern Uplands	153.4	161.3	182.7	21.7	20.0	18.3	14.4	14.4	14.4	23.00	13.52	14.04	15.74
Red River Delta	151.0	164.8	195.9	21.3	20.5	19.6	21.9	21.9	21.8	17.00	8.76	9.44	11.10
<i>excluding Ha Noi</i>	97.0	92.3	123.8	13.7	11.5	12.4	18.3	18.2	18.1		6.74	6.35	8.46
<i>Ha Noi</i>	54.0	72.4	72.1	7.6	9.0	7.2	3.6	3.7	3.7		19.00	24.70	23.98
North Central Coast	75.9	84.5	87.0	10.7	10.5	8.7	12.9	12.9	12.9	21.00	7.45	8.20	8.36
South Central Coast	74.7	121.5	159.4	10.5	15.1	16.0	8.5	8.5	8.5	7.00	11.16	17.90	23.10
Central Highlands	47.9	62.3	63.7	6.8	7.7	6.4	5.5	5.5	5.6	10.00	11.06	14.14	13.94
Southeast	124.0	103.8	149.0	17.5	12.9	14.9	15.7	15.8	15.9	5.00	10.03	8.25	11.57
<i>excluding HCMC</i>	88.5	62.5	90.0	12.5	7.8	9.0	8.9	8.9	9.1		12.67	8.80	12.28
<i>Ho Chi Minh City</i>	35.5	41.3	58.9	5.0	5.1	5.9	6.8	6.9	6.9		6.60	7.54	10.60
Mekong Delta	81.3	106.8	159.2	11.5	13.3	16.0	21.0	21.0	20.9	17	4.92	6.39	9.43
Total	708.3	805.3	997.0	100.0	100.0	100.0	100.0	100.0	100.0	100.00	9.00	10.10	12.32

Source: UNDP Viet Nam DCAS & GSO

⁷ DCAS questionnaires submitted by donors every year include questions relating to the location of projects. Donors can select either central/nationwide or province. No information is provided in terms of percentage of allocation per province. The data presented relate to projects with provinces as targeted areas. When a project targets more than one province, DCAS assumes equal distribution of project disbursements among them.

Figure 20: Regional Shares of ODA (%) in 1995 - 2003



It is striking that Ha Noi received the largest amount of ODA per capita of 24 USD, twice the level of Ho Chi Minh City. However, the Red River region, excluding Ha Noi, received the second lowest level of ODA per capita of 8.46 USD. A noticeable change was the three USD increase in ODA per capita in the Mekong Delta, lifting it from the bottom position that it had held in recent years. It is also worth highlighting the very low ODA per capita in regions such as the North Central Coast and Mekong Delta despite their over-representation in terms of poverty.

Regional disparities tend to be an issue of concern in developing countries. Whilst the Government of Viet Nam and its development partners are clearly working to achieve the Millennium Development Goals in 2015, there is a need to look at the evolution of regional disparities in basic human development indicators in order to avoid major geographical differences in achieving these goals. The geographical distribution of ODA not only in terms of general disbursements, but also by type and sector allocation, could provide the Government with a powerful tool to help counterbalance possible future regional disparities in human development.

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United Nations Development Programme

25-29 Phan Boi Chau Street, Ha Noi - Viet Nam

Tel.: (84 4) 942 1495

Fax: (84 4) 942 2267

e-mail: registry.vn@undp.org

www.undp.org.vn

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