The East Asian Perspective of Ownership and a Cast Study on Vietnam

May 23, 2008 (for FASID Seminar)
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GRIPS Development Forum
Highlights

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

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

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

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

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

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

- Aid relationship as “black box” (Jerve and Hansen 2007); need for recipient perspectives
The East Asian Perspective

- Managing aid as integral part of the development process
  - Aid relationship—just one component of development management, as a means to realize national development priorities
- “Graduation” as the ultimate goal of aid receipt.
  - Existence of “exit plan” from aid, with vision and realistic measures for achieving self-sustainability
- Development as a “translative adaptation” process -- not unilinear “modernization” (Maegawa 1994)
The East Asian Perspective (Example)

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

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

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

I. Ohno and Shimamura (2007)
http://www.grips.ac.jp/forum/pdf07/AidMgt.pdf
2. Type of Ownership (1)

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

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

Donors

Identification of aid needs
Formulation of aid strategy

Recipient Countries

Development vision
Development strategy & plan
Implementation (public investment, service delivery)
Aid money
Internal budget
Development effectiveness & sustainability
Achievement of strategic goals

Donor (aid) Management

Aid relationship as part of the entire development process

Development Management
Type of Ownership (2)

- **Policy ownership**: managing policy ideas, as part of development management

- **Key questions:**
  - Who set the scope of policy choice and interpretation?
  - Is the government free to choose and own ‘only the set of policies already decided by donors’?

- **Ownership of what?, by whom?**


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

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

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

Our Analysis:
- Vietnam’s seemingly “strong” capacity for dealing with donors should NOT be confused with capacity for managing the entire development process.
- Vietnam has not yet developed an effective economic policy-making structure and processes.
The Context of Vietnam’s Aid and Development (1)

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

The Importance of ODA in Macro-economy (2005)

<table>
<thead>
<tr>
<th></th>
<th>ODA inflow (net), $bn</th>
<th>FDI inflow (net), $bn</th>
<th>Workers’ remittance, $bn</th>
<th>ODA/GNI (%)</th>
<th>ODA/Gross capital formation (%)</th>
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<tbody>
<tr>
<td><strong>Vietnam</strong></td>
<td>1.9</td>
<td>2.0</td>
<td>4.0</td>
<td>3.7</td>
<td>10.3</td>
</tr>
<tr>
<td>(pc.GNI=$620)</td>
<td></td>
<td></td>
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<tr>
<td><strong>Sri Lanka</strong></td>
<td>1.2</td>
<td>0.3</td>
<td>2.0</td>
<td>5.1</td>
<td>19.3</td>
</tr>
<tr>
<td>(pc.GNI=$1170)</td>
<td></td>
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<tr>
<td><strong>Nepal</strong></td>
<td>0.4</td>
<td>-</td>
<td>1.2</td>
<td>5.8</td>
<td>20.0</td>
</tr>
<tr>
<td>(pc.GNI=$300)</td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Tanzania</strong></td>
<td>1.5</td>
<td>0.4</td>
<td>0.2</td>
<td>12.5</td>
<td>65.8</td>
</tr>
<tr>
<td>(pc.GNI=$340)</td>
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Transition to the market economy
- Economic reform “Doi Moi” (1986); collapse of ex-Soviet Union (1991) → govt. decision to open its economic relations to the West; WTO membership (2007)
- But, the organizational structure of govt. remains largely unchanged from the era of centrally planned economy

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

Lessons from Vietnam War and Soviet aid
- “National independence and pride” (Forsberg 2007)
Donor Management

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

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

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

Existing dev. plan

symbolic

PRSP

govern

Sector plans, budget, MTEF, aid procedures

PRSP: Poverty Reduction Strategy Paper
MTEF: Medium-Term Expenditure Framework
PRSP as a Supplementary Document

Existing dev. plan

PRSP (VN: CPRGS)

Sector plans

Budget

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

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

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

⇒ *Weakness in development management, compared to more advanced East Asian economies*
Multi-layered Model

Malaysia Organization for drafting Industrial Master Plan

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

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

Source: Kenichi Ohno
“Drafting Industrial Master Plans in the East Asian Context”
Vietnam: Traditional M/P Drafting Process

Prime Minister

Submit

Inter-ministerial review

MPI & other Ministries

Internal review

Drafting Team

Order

Submit

MPI & other Ministries

Data

Government

Appeal letter to Prime Minister when problems arise

Contact Ministry when necessary

Interviews, symposiums (sometimes)

International experts

Business Community

No permanent channel for continuous policy dialogue (case-by-case, temporary, ad hoc)

Source: Kenichi Ohno

“Drafting Industrial Master Plans in the East Asian Context”
Synthesis

- Ownership concept: need to go beyond aid relationships (← too narrow)

- The role of donors?
  - Should recognize that domestic factors do matter.
  - Importance of identifying entry points for effective assistance; carefully target and integrate aid in govt’s own agenda.

- For fostering true ownership in Vietnam?
  - Increase policy debates and stimulate domestic policy research & training, across agencies and stakeholders.
  - Long-term investments in human resources, for the second generation of policy makers and officials.

THE END