

BACKGROUND NOTE

PLATFORM OF OPERATIONS

OF THE

VIETNAM PARTNERSHIP GROUP ON

AID EFFECTIVENESS

Purpose

The purpose of this paper is to provide background information on the Platform for PGAE operations. The Platform aims to enhance the contribution of the Partnership Group on Aid Effectiveness (PGAE) to successfully implementing the Paris Declaration and the Hanoi Core Statement (HCS) on Aid effectiveness.

Background

2. In the setting of global efforts to enhance aid effectiveness following the Monterrey Conference and the first High Level Forum (HLF-1) on Harmonization in Rome, a number of individual donors and groups of donors (the five Banks, the Like Minded Donor Group (LMDG), the European Union (EU), the United Nations (UN), etc.) worked with the Government of Vietnam (GoV) on various harmonization initiatives aimed at maximizing aid effectiveness. However, these efforts were not well coordinated on the same platform and to some extent created high transaction costs for the GoV and donors. To solve this problem, GoV and the donors working on aid effectiveness established the PGAE at the end of 2003 when they adopted the Vietnam Harmonization Action Plan (V-HAP).

3. The second High Level Forum (HLF-2) on Aid Effectiveness held in March, 2005, which endorsed the Paris Declaration on Aid Effectiveness, gave the PGAE a very good opportunity to bring the aid effectiveness agenda in Vietnam forward with a clear vision. Right after this remarkable event, the PGAE developed the HCS to localize the Paris Declaration. The HCS was adopted by the donors at the Mid-term Consultative Group Meeting in June, 2005 and by GoV in September, 2005. To implement HCS, and in order to gain “quick wins”, the PGAE decided to set up seven thematic groups on Procurement, Public Financial Management (PFM), EIA and SIA, ODA-on-budget, Cost Norms, HCS Communication, Independent Monitoring. So far these thematic groups have made significant progress. Through this process the number of GoV agencies and donors participating in the PGAE has increased. Representatives of Vietnamese civil society groups and international non government organizations have joined the PGAE.

Review of the PGAE

4. Because of its solid performance since its inception, the PGAE has been seen as an effective mechanism not only in Vietnam, but also internationally. Concerted efforts on the same platform with intensive dialogue between the GoV and donors under the PGAE framework have become important elements to facilitating Vietnam’s advance on its path to fulfill the aspirations of the Paris Declaration and HCS. However, the PGAE itself was seen to suffer from a number of weaknesses and constraints, such as:

- a) The PGAE has no mandate as a “decision-making body” and no authority over any parties involved in implementing HCS commitments. It is an effective, voluntary forum for GoV and donors to discuss relevant issues and to share information. Its lack of decision-making authority is a major weakness and constraint that has reduced the PGAE’s effectiveness.
- b) Though it is supported by seven thematic groups, its Secretariat and Friends of Co-chairs, PGAE does not have a clear architecture, especially in terms of its inter-relationship with other stakeholders such as the Partnership Groups by Sector, International Supporting Groups, Civil Society Groups,

etc. This fact has de-linked PGAE's activities from other stakeholders' activities for whom aid effectiveness is a cross-cutting issue. It has caused a situation of overlapping and duplication; and a lack of coordination, complementarity and division of labour between PGAE and other stakeholders in specific areas (i.e. Procurement, PFM, EIA and SIA, etc.). There the leverage that the PGAE was anticipated to have, has been reduced.

- c) The PGAE activities are not only at the policy and strategic level but also at the technical level. To a significant extent, discussion at the technical level has tended to dominate PGAE discussions, thereby limiting the PGAE's capacity to focus on key policy and strategic issues. Accordingly, this broad coverage has reduced the efficiency of PGAE. This weakness, as recommended by the 2007 Independent Monitoring Team, can be overcome by separating policy and strategic from technical matters: PGAE should focus on issues at the policy and strategic level, whereas ad-hoc thematic groups should focus on issues at technical level.
- d) The PGAE has not operated on the basis of a clear vision or rational plans. Therefore, its operations should be based on medium term or annual plans with clear objectives, milestones, responsible parties, resources and outputs. The plans should be identified through consultations with all stakeholders.

Rationale of PGAE Renovation

5. On the basis of the above weaknesses and constraints, the stakeholders of PGAE have concluded that the PGAE's role and mandate should be revised to make it more responsive to the need to maintain momentum towards achieving the objectives of the Paris Declaration and the HCS.

6. The proposal on PGAE renovation is based on the following:

- a) **Vietnam steps up to the next level of its development:**

In recent years Vietnam has obtained its remarkable socio-economic development and poverty reduction achievements and now is looking forward to become a middle-income country by the year 2010 and an industrialized country by 2020. After one year as a WTO member Vietnam is fully integrating into the global economy. Vietnam's position in the world arena has increasingly improved, especially with the role of a Non-standing Member of the UN Security Council.

To become a middle income country, apart from socio-economic development, GoV continues to improve the country's legal and institutional framework, carry out public administration reforms, develop human resources, etc. and tries to avoid the possible "traps of middle income countries". At the same time the donors consider possible changes in their aid policies to Vietnam, including providing Vietnam with "new aid windows", etc. This context and trends require PGAE to renovate its agenda and working style.

b) Challenges to achievement of ambitious HCS targets

According to the 2007 Independent Monitoring Report, though impressive progress has been made on the aid effectiveness agenda, a number of HCS targets still present challenges to both the donors and GoV. This requires PGAE to renovate itself in order to fulfill its mission as a pioneer on the aid effectiveness front.

c) Basis for Renovation

To enforce the PGAE's strength and enable it to deal with the new challenges, PGAE should have a formal Mission Statement issued under a Platform document. The Platform document is presented separately from this background note.

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