

Measures to ensure 80% of ODA committed for the year 2006 - 2010 disbursed

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According to official sources, the ODA will play an important role in the Vietnamese economic growth in the next 5-year plan and Vietnam expects to realize some 80% of the ODA (from US\$11 to 12 billion) committed for this period.

According to the MPI, however, the disbursement since 1993 has never reached such a high level and stayed at some 49% only. Vietnam has a long way to go to achieve the aim of getting 80% of the committed ODA disbursed.

1. ODA disbursement since 1993

Since 1993, the ODA-financed projects have built and upgraded 3,700 km of national routes, some 1,000 km of provincial roads, 10,000 km of rural roads and hundreds of bridges. The ODA source has also helped develop ports in Hải Phòng, Cái Lân, Tiên Sa and HCMC. In the years 1996-2000, this source accounted for 40.3% of total investment in the power industry, especially in the building of seven power plants that produced some 40% of power output in Vietnam. In short, the ODA has not only contributed to the economic growth but also helped improve the Vietnam's position in terms of human development index suggested by the UN.

However, we should admit that the ODA disbursement for Vietnam has been so low in the past decade.

In the years 1993-2003 for example, only 49.3% of the committed ODA, or US\$12.5 billion, was disbursed. In the years 2001-2005, the disbursement was 56.1%, or US\$7.6 billion.

Table 1: ODA committed and disbursed in the years 2001-2005 (US\$ million)

	ODA committed	ODA disbursed
2001	2,400	1,500
2002	2,600	1,550
2003	2,839	1,422
2004*	2,900	1,490
2005*	2,900	1,700

* estimated

Source: MPI, Đầu tư; Nov. 29, 2004

Moreover, disbursement also differs over donors and fiscal years. For example, the disbursement of Japanese ODA in the 2001 fiscal year equaled only 9.8%; 7.2% in 2002 and 12% in 2003 (this was very low compared with the average of 15% a year gained by other recipients). As for the concessionary ODA supplied by the WB, the disbursement rate was 14.3% in 2003 compared with the average of 12.1% in previous years. It was still low as compared with 18% gained by regional countries. The disbursement of other sources, such as ADB, AFD and KFW also fell short of expectations.

Causes of slow disbursement are numerous and Vietnam had a meeting with donors in March 2004 in order to find measures to accelerate the disbursement of funds for various projects with a determination to make a breakthrough in 2004. In early December 2004, the same meeting was held with the Consultant Group and everybody had to accept that no improvement was made.

2. Causes of slow disbursement

These causes could be divided into two groups: one from the donors' side and one from recipients.

- Donors' side: The main



problem is the difference between working procedures over donors, strict conditions required by donors, complex formalities, time-consuming procedures and limited authority delegated to their rep offices in Vietnam. Moreover, constructors have to meet various requirements posed by different donors when they carry out projects financed by several donors.

- Local side: The slow disbursement usually originates from recipients' failure to make projects and plans available before negotiating about the amount of ODA fund; to study procedures for securing ODA funds; to prepare counterpart funds; and to carry out quick land clearance. In addition, Vietnamese procedures and regulations relating to the realization of ODA-funded projects are inconsistent, time-consuming, and inappropriate to international practices. Disputes and negotiations between constructors and governmental agencies also take a long time to reach agreements, which the result that the funds couldn't disbursed on time.

According to the Deputy PM Vũ Khoan, Vietnam has to deal with the six following problems relating to the ODA disbursement: land clearance, counterpart fund, bidding and advisory service, skills of project management boards, administrative procedures, and ability to adjust to procedures suggested by donors.

In my opinion, the main causes of the slow disbursement are from the Vietnam's side and the most critical ones are as follows:

- In the years 2001-2005, many major projects, such as HÀm Thuận-Đà Mi hydro power plant; Phú Mỹ, Phả Lại II power plants and the National Route 1A, are nearing completion, while some others (Thanh Trì, Cần Thơ and Bãi Cháy Bridges) are in preparing stages (land clearance, bidding, etc.) so they won't demand huge funds. And as a result, the rate of disbursement is not high as expected.

- Most projects in recent years met difficulty in the land clearance and paying compensation. This problem couldn't be solved quickly because the Land Law isn't perfect and prices of real estate fluctuated widely with the result that local residents didn't agree to compensations offered. For example, the project to build the Vietnam TV Station only finished land clearance when the time for disbursement came to an end; and in the project to upgrade the National Route 5; the time for the land clearance was four times long than the time for completing the project.

- Procedures for studying and approving construction plans, total budget and bidding are time-consuming. In addition, there is no agency specializing in examining construction plan and budget with the result that they need a lot of adjustments when the project is carried out, and everything must be started again from the scratch and wait for more approval.

- Most project management boards are understaffed and their members lack experience and skills while facilities for their jobs are also lacking. This situation is common in most provinces. In addition, it's hard to recruit competent workers because of limited funds for these boards.

- Advisory service is not given full attention. The role of consultant companies is very limited because governmental agencies have full rights to approve or reject construction plan and budget. And as a result, many plans and budget estimates are not correct and reasonable enough.

3. Measures to accelerate the disbursement rate

- Perfecting regulations on compensation, resettlement and land clearance: This measure requires various conditions. A master plan for each province is needed for zoning area for ODA-funded projects. The new Land Law requires the bulk of

sub-legislature in order to soon put it into effect. The Government could adopt a new policy on land clearance and compensation applying to projects to develop communication and power supply. Rights and duties of provincial governments must be made clear and at the same time, the public must be educated in their responsibility for the good of the community.

- Reforming procedures for bidding and approving construction plans: Provincial government could be allowed to examine and approve construction plans and budget estimates for ODA-funded projects in the province in order to reduce the waste of time. There must be clear regulations on cases in which the bid is much higher or lower than the budget estimate in order to ensure the quality and speed of construction works. A special agency could be formed to undertake the task of organizing auctions and bidding in order to enhance the government's role in this field and avoid unnecessary mistakes.

- Enhancing performance of project management boards: There must be special programs to train members of these boards in international and national laws, foreign languages and managerial skills. These members must work for the board on a full-time basis, instead of a part-time one, and get reasonable pay. In other words, they must be treated as any civil servants.

- Better role for consultant companies: Competent consultancy is decisive to the quality of the project. In fact, many projects spend a lot of money on foreign consultancies although they lack knowledge of local institutions, laws and customs. Some local companies are free from this shortcoming and have enough skills and experience. In the future, project boards had better consider employing low-cost consultancies as long as they ensure the best service. This practice also helps develop the advisory service in Vietnam ■ ?