



Assessing the Effectiveness of South Korea's Development Assistance in Vietnam

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Received 21 May 2018

Revised 15 June 2018; Accepted 21 June 2018

Abstract: South Korea's development assistance has become an important resource in facilitating Vietnam's socio-economic development and has contributed to infrastructure establishment, agricultural and rural development, as well as hunger eradication and poverty reduction in Vietnam over the past 25 years. By adopting indicators proposed in the Busan Partnership Agreement and OECD's DAC criteria, desk study and in-depth interviews, the paper assessed the effectiveness of South Korea's development aid in Vietnam at nation, donor and project levels. The results show that at national and donor levels, South Korea's ODA in Vietnam is successful and effective in terms of aligning objectives of both sides, facilitating engagement of private sectors, supporting a forward-looking vision, providing public and up-to-date information, and applying effective international methods to monitor and evaluate ODA projects. At project level, the QCGH project of Korea International Cooperation Agency (KOICA) has proved to be relatively successful especially in terms of relevance and impacts. The paper also pointed out shortcomings of South Korea's development at national and donor levels with a focus on disbursement of development aid, the use of Vietnam's financial system, strictly binding conditions and limited inclusive cooperation between South Korea and Vietnam in assessing the effectiveness of South Korea's development aid. At project level, the shortcomings lay mainly under efficiency, effectiveness and sustainability indicators. Based on evaluation of South Korean's aid performance and effectiveness in Vietnam, the paper drew out some implications to strengthen South Korea's development aid effectiveness in Vietnam in the future.

Keywords: Aid effectiveness, Vietnam, South Korea, development aid, development assistance.

1. Introduction

Since "Doi Moi" were launched in 1986, Vietnam has undergone remarkable economic development with an average growth rate of

6.25% from 2000 until 2017¹. GDP growth is estimated at 6.81 percent in 2017 - the fastest expansion in the past decade. From being one of the poorest countries in the world with GDP per capita below USD 100 in 1986, Vietnam has been a lower middle-income country since

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<https://doi.org/10.25073/2588-1108/vnueab.4156>

¹ Authors' calculation from General Statistics Office of Vietnam.

2010, and its GDP per capita reached USD 2385 by the end of 2017². Vietnam has also achieved most Millennium Development Goals, particularly those on poverty reduction³.

To make such achievements possible, resources for development have been raised through many channels, among which Official Development Assistance (ODA) has been a significant one. On November 8th, 1993, the international conference on ODA for Vietnam was first held in Paris, France. Since then, ODA has been an important resource in facilitating development in Vietnam with the total value of ODA committed by international donors to Vietnam reaching about USD 82.61 billion during the period 1993-2017⁴.

Among more than 50 ODA donors to Vietnam, South Korea ranked 2nd after Japan, disbursing more than USD 1 billion of ODA to Vietnam for the period 2011-2015. South Korea continued to commit USD 1.5 billion ODA credit to Vietnam in the 2016-2020 period under the Framework Arrangement on South Korea's ODA to Vietnam signed in November 2017. Meanwhile, Vietnam is the first and currently also the largest ODA partner country of South Korea in the Asia-Pacific region [1]. South Korea's development assistance projects not only meet the actual developmental needs of Vietnam but also fit with sectors where South Korea shows strength.

Despite the important role of South Korea's development aid to Vietnam's social and economic development, there is still a lack of comprehensive research on assessing the effectiveness of ODA from South Korea to Vietnam. So far, the most up-to-date and comprehensive reports of South Korea's ODA to Vietnam have been conducted by KOICA, which apparently focused on evaluating KOICA's ODA in Vietnam at project level. To

fill the gap, this paper aims at assessing the effectiveness of South Korea's development aid to Vietnam at various levels including national, donor and project levels. The success and shortcomings identified from the case study of South Korea's ODA to Vietnam can provide valuable lessons for enhancing the effectiveness of South Korea's ODA to Vietnam in particular and of ODA flows to Vietnam in general, thereby strengthening the contribution of development aid in Vietnam.

2. Methodology and data

2.1. Methodological approach and evaluation framework

In this paper, assessment of the effectiveness of South Korea's development aid in Vietnam was conducted at national, donor, and project levels.

National and donor - level analysis

Global efforts to promote development cooperation have been marked by four High Level Forums on Aid Effectiveness, held in Rome (2003), Paris (2005), Accra (2008), and Busan (2011). The Busan Partnership Agreement, endorsed in 2011, was the result of a lengthy and highly intensive negotiation process to revise the focus of evaluating aid effectiveness and adapt it to changes in the international socio-economic environment, such as economic crises, the increasingly prominent role of emerging countries, and more diversification of development cooperation. The Busan Partnership Agreement can be referred to as the benchmark for successful ODA cooperation for the benefit of all. *Therefore, at national and donor levels, this paper adopted the Busan Partnership Agreement evaluate South Korea's aid effectiveness in Vietnam.*

The Busan Partnership Agreement in 2011 outlines four principles for all development actors to make aid effective including Ownership, Focus on Results, Partnership, and Transparency and Accountability. *Ownership of*

² <http://www.gso.gov.vn/default.aspx?tabid=382&idmid=&ItemID=18667>, accessed on 27th December, 2018.

³ <http://www.worldbank.org/en/country/vietnam/overview#1>, accessed on 15th May, 2018.

⁴ <http://www.mpi.gov.vn/Pages/tinbai.aspx?idTin=37705&idcm=188>, updated on 2nd August, 2017.

development priorities by developing countries shows that development can only succeed if it is led by developing countries. *Focus on Results* implies that investments and efforts in development policy-making should concentrate on achieving sustainable and lasting impact, which in turn should be aligned with the priorities and policies set out by the developing countries themselves. *Inclusive Partnerships for Development* means that all actors must participate to achieve development goals with trust and mutual respect. *Transparency and Accountability* indicates that development cooperation must be transparent and accountable to donors and recipients, intended beneficiaries of the cooperation, stakeholders, and respective citizens. Countries take mutual responsibility for aid progress and development results.

Based on the OECD and UNDP (2014) [2] approach, the following 8 indicators related to the four above-mentioned principles were used to assess the effectiveness of South Korea's aid to Vietnam at national and donor levels (Table 1). From a national-level analysis, the paper assessed the effectiveness of South Korea's aid to Vietnam as a whole, while at a donor-level the paper assessed aid effectiveness of the KOICA in Vietnam.

Project - level analysis

When evaluating the effectiveness of ODA programs and projects, Development Assistance Committee (DAC) criteria are commonly adopted [3, 4]. Therefore, *this paper used DAC criteria adopted at the OECD High Level Meeting in 1991 and published in 1992 as part of the DAC Principles for Effective Aid* to assess the effectiveness of South Korean's development aid in Vietnam at project level.

DAC criteria consist of five elements: Relevance, Effectiveness, Efficiency, Impact and Sustainability.

Table 1. Indicators to assess aid effectiveness at national and donor levels

Principles	Indicators
Ownership and Results	Indicator 1: Development cooperation is focused on results that meet developing countries' priorities Indicator 2: Aid is on budgets which are subjected to parliamentary scrutiny Indicator 3: Effective institutions - developing countries' systems are strengthened and used Indicator 4: Aid is untied
Inclusive development partnership	Indicator 5: Engagement and the contribution of the private sector to development Indicator 6: Gender equality and women's empowerment
Transparency and Accountability	Indicator 7: Information on development cooperation is publicly available Indicator 8: Mutual accountability among cooperation actors is strengthened through inclusive reviews

Source: OECD and UNDP (2014).

Relevance refers to the extent to which aid activities are suited to the priorities and policies of the target group, the recipient country, and the donor. *Effectiveness* measures the extent to which aid activity attains its objectives. *Efficiency* concerns outputs, both qualitatively and quantitatively, in relation to inputs. *Impact* is concerned with the main impact and effects of the project. *Sustainability* measures whether the benefits of an activity are likely to continue after donor funding has been withdrawn. The paper selected a KOICA project to assess its effectiveness based on a range of indicators illustrated in Table 2.

Evaluation framework

The evaluation framework of South Korea's development aid in Vietnam is shown in Figure 1.

Case studies

South Korea was selected because it is a typical traditional donor in Vietnam. From South Korea, KOICA was chosen as it has been proved to be among the biggest Korean donors in Vietnam. Finally, one project was selected for deeper analysis at project level. Based on desk study and in-depth interview results, the “Quang Nam Central General Hospital Construction” project conducted by KOICA was chosen.

In-depth interview

In-depth interviews were conducted with government officials from Vietnam's Ministry of Finance (MOF) and Vietnam's Ministry of Planning and Investment (MPI), and representatives from KOICA. The interview with the MOF provided information about how ODA in Vietnam is distributed and disbursed, while the interview with the MPI helped understand key features of South Korea's ODA activities in Vietnam. The interview with KOICA representatives focused on understanding the history, activities, and performance of KOICA in Vietnam and on identifying factors contributing to successful operation of this donor in Vietnam.

3. An overview of South Korea's development aid in Vietnam

3.1. South Korea's development aid in Vietnam at national level

The official diplomatic relation between Vietnam and South Korea was established on December 22nd, 1992. Since then, South Korea's ODA to Vietnam has significantly increased, especially after Vietnam's WTO membership in 2007. The ODA value more than doubled in the period 2006-2010 up to USD 264 million, and then suddenly jumped to over USD 1 billion during the next five years (Figure 2). It is likely that the increasing trend will continue in the coming years with South Korea's commitment of USD 1.5 billion ODA credit to Vietnam in the period 2016-2020.

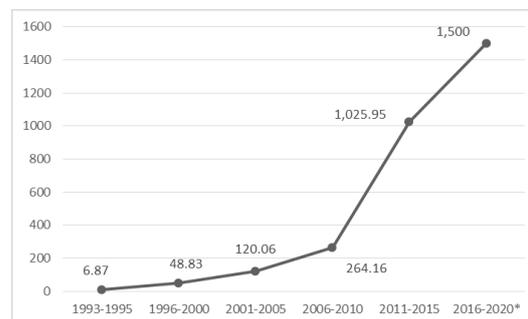


Figure 2. South Korea's ODA disbursement in Vietnam, 1993-2020.

(Unit: Million USD)

Source: Authors' calculations from OECD International Development Statistics, 2018.

Note: 2016-2020: South Korea's committed ODA under the Framework Arrangement signed on 27 December 2017.

South Korea's ODA consists of: (i) bilateral grants aid, (ii) bilateral loans, and (iii) multilateral assistance. Bilateral grant aid comprises technical cooperation and various types of transfers without repayment obligation. Bilateral loans are provided on concessional terms under the Economic Development Cooperation Fund (EDCF). Multilateral assistance is delivered either as financial donations or contributions to international organizations⁵.

KOICA is responsible for South Korea's bilateral grant aid while the Korea Export-Import Bank (Korea Exim Bank) administers EDCF loans. KOICA's bilateral grant aid makes up around 40% of South Korea's bilateral ODA. The Ministry of Foreign Affairs and Trade (MOFAT) and the Ministry of Strategy and Finance (MOSF) of Vietnam are responsible for multilateral assistance.

South Korea's ODA in Vietnam is in the form of bilateral grants and loans. Since 1993, Vietnam has received bilateral grants worthy about USD 160 million, accounting for less than 10% of total development aid from South Korea. Bilateral lending is the main form of

⁵ <http://www.koica.go.kr/english/koica/koica-glance/delivery-channel/index.html>

South Korea's development aid to Vietnam. Before 2008, lending was small, with 13 projects valued at USD 600 million. Since 2008, South Korea has committed to provide more concessional loans through three framework agreements, including USD 1 billion between 2008 and 2011, USD 1.2 billion between 2012 and 2015, and USD 1.5 billion during 2016-2020. The total value of concessional loans for the period 2008-2015 has, in fact, reached USD 1.7 billion for 34 projects.

By sectors, infrastructure received the most ODA from South Korea with a share of nearly 54.8% between 2006 and 2013. Public health, environment-related policy and management, and education and training were also among the top sectors receiving the most ODA (Figure 3). Notably, the period 2006-2013 witnessed a significant increase in ODA in infrastructure and environment-related policy and management. In 2006-2007, South Korea's ODA for infrastructure was less than USD 4 million but surged to around USD 37 million in 2008 and reached a peak of USD 150 million in 2013. ODA in environment-related policy and management has also risen sharply to more than USD 40 million since 2012.

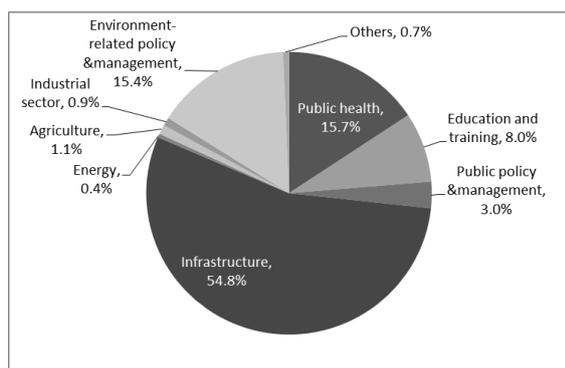


Figure 3. South Korea's accumulated ODA to Vietnam by sector, 2006-2013 (Unit: %).
Source: Authors' calculations from OECD International Development Statistics, 2015.

3.2. KOICA's ODA in Vietnam: South Korea's development aid at donor level

KOICA was established in 1991 as a governmental agency dedicated to providing grant aid programs to developing countries. KOICA's core sectors for ODA include public administration, education, health, industry and energy, agriculture, forestry and fisheries, gender, human rights, and information and communication technology.

Given geographical proximity, cultural similarity, and strategic interests, Asia and the Pacific have become priority regions for KOICA's assistance. In 2016, the ODA grant volume for Vietnam accounted for 16% and 5.9% of KOICA's total budget for the region and the world respectively [1]. It is also likely that this trend will be maintained in the coming years⁶.

KOICA's representative office in Vietnam was established in 1994. Between 1993 and 2013, KOICA provided ODA to Vietnam with a total value of USD 210 million. In 1993, KOICA's ODA to Vietnam was below USD 1 million, and the value slightly increased in the following decade. In 2004, the volume tripled to nearly USD 10 million. Since then, KOICA's ODA to Vietnam has steadily increased and reached a peak in 2013 at about USD 28 million (Figure 4).

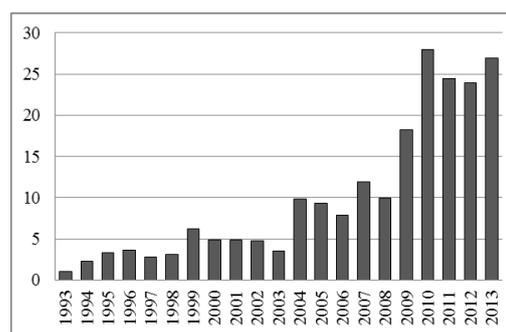


Figure 4. Volume of ODA from KOICA to Vietnam, 1993 - 2013 (Unit: million USD).
Source: KOICA Statistics and OECD International Development Statistics.

⁶ <http://www.vir.com.vn/koica-helps-shape-the-future.html>, updated on 23th May 2017.

Over the past 25 years, KOICA has implemented more than 50 projects in different sectors in Vietnam, among which education and training, public health, and public sector policy received the most ODA (Figure 5).

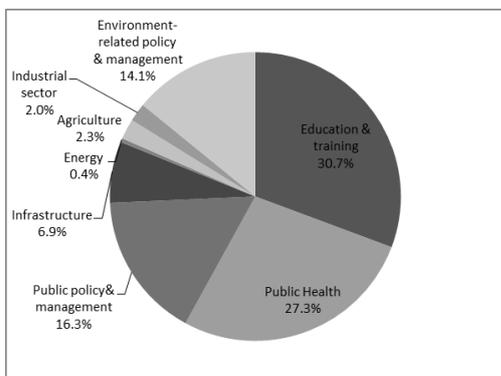


Figure 5. KOICA's ODA in Vietnam by sector, 1991-2013.

Source: KOICA Statistics Database.

3.3. KOICA's ODA in Vietnam at project level

KOICA's ODA projects in Vietnam have been conducted in various sectors, mainly in the fields of (i) Building schools and hospitals; (ii) Organizing training courses to improve the capacity of Vietnamese institutions; (iii) Providing experts and volunteers to work in Vietnam; and (iv) Developing collaborative research and transferring equipment. Some notable projects are the project to build a hospital in Quang Nam province valued at USD 35 million; the project to establish Vietnam-South Korea College of Information Technology in Da Nang city with non-refundable aid of USD 10 million and upgraded with USD 5.4 million in 2012; the project to improve the capacity of training centers for safety and clean working at the Training Centre in Son Tay being implemented between 2013 and 2016 with total aid of USD 3.4 million; the project to improve the capacity of the Central Highland Vocational College for Ethnic Youths in Dak Lak province in 2015; the project to provide South Korea's experts and volunteers to work in Vietnam or the project to establish the Vietnam-South Korea Institute of

Science and Technology (V-KIST) which has been implemented to help develop Vietnam's science research capacity with funds of USD 35 million.

4. Effectiveness of South Korea's development aid in Vietnam

4.1. Evaluation at government and donor levels

4.1.1. Ownership and Results

Indicator 1: Development cooperation is focused on results that meet developing countries' priorities

During more than 20 years of attracting ODA, Vietnam has consistently targeted the use of ODA for the implementation of socio-economic development priorities. In Decree No. 131/2006/ND-CP dated November 9th, 2006 on issuance of Regulations on Management and Utilization of ODA, Vietnam specified six priority areas for ODA utilization. Together with the dramatic socio-economic development of Vietnam as well as new and more challenging requirements in the context of global integration, the priority sectors for ODA to Vietnam have been revised accordingly to include new issues such as enhancing trade and investment relations, and upgrading from "construction" to "development" of socio-economic infrastructure. Therefore, Decree No. 38/2013/ND-CP dated April 23rd, 2013 of the Vietnamese government on Management and Use of ODA and Concessional Loans from donors identified 8 priority sectors: (i) development of economic infrastructure; (ii) development of social infrastructure systems; (iii) development of advanced science and high technology; (iv) development of agriculture and rural areas; (v) enhancement of institutional capacity and administrative reforms; (vi) protection of the environment and natural resources; (vii) support to boost trade, investment, banking, tourism, and production, and (viii) support for implementation of national target programs.

Besides the two above-mentioned decrees, ODA documentation issued every five years by the Vietnamese government is also an important source of information for ODA donors in Vietnam.

The analysis of South Korea's ODA in Vietnam and the interview results reveal that ODA providers from South Korea have relied mainly on Vietnam's socio-economic development strategy, ODA priority sectors, and the Country Partnership Strategy with Vietnam to make decisions on providing ODA to Vietnam. Therefore, the biggest ODA sectors of both South Korea and KOICA in Vietnam, namely infrastructure, public health, environmental-related policy and management, and education and training are also among the ODA priority sectors of Vietnam.

In addition, as a traditional ODA donor to Vietnam, the South Korean government and KOICA have revised their ODA priority fields to match the changes in Vietnam's contemporary development demands. Since 2010 when Vietnam became a lower-middle income country, South Korea has no longer provided Vietnam with ODA for poverty reduction directly. Rather, it has focused on higher education, vocational training, hospital construction, human resources management, and institutional capacity building. In the case of KOICA, ODA projects have recently focused on: (i) supporting Vietnam to integrate into the global and regional economies, and (ii) promoting trade and investment relations between the two countries. Therefore, KOICA has recently increased ODA projects in the justice sector. For instance, the "Construction of the National Academy of Public Administration in HCM City" project has developed to support Vietnam in increasing its knowledge of international laws. KOICA has also made a notable effort to provide consultancy for, and to participate in, the preparation of the "Vietnam 2035 Report: Toward Prosperity, Creativity Equity and Democracy." Therefore, at both levels, South Korea's development aid not only matches with

Vietnam's socio-economic development priorities, but is also adjusted to, and kept updated with Vietnam's changing context and requirements.

Indicator 2: Aid is on budgets which are subjected to parliamentary scrutiny

In Vietnam, the MPI is responsible for coordinating with the MOF, relevant agencies and donors, including South Korea, to formulate orientation of cooperation and prioritized sectors for ODA. After that, the Aid List is created, and a schedule of ODA disbursement is then recorded in the annual government budget and approved by authorized agencies.

However, the interview results show that *the disbursement of ODA in Vietnam, including that of South Korea, is often delayed* mainly for reasons from the Vietnamese side. Reasons include differences in institutional and legal issues between Vietnam and donors, adjustments arising from changes in the project implementation process, problems in clearance activities, and burdensome administrative procedures. The disbursement rate of ODA in Vietnam (less than 50%) is lower than the world's average.

Therefore, even though aid is included on the annual budget and subject to stringent processes stipulated in legislative regulations, *the low rate of aid disbursement* in Vietnam has raised the issues of inefficient implementation and management.

Indicator 3: Effective institutions - developing countries' systems are strengthened and used

The public financial management system in Vietnam has been developed partly based on a USD 100 million project funded by the World Bank. The project has been completed and created a technical connection between the MOF, local financial departments, and the National Treasury. In practice, however, *South Korea has utilized its own financial management systems or services* rather than those of Vietnam. The key reason is the low trust of South Korea and its donors in the

financial management system of Vietnam given Vietnam's low disbursement rate of ODA and a limited capability to provide good accounting, fiscal and audit reporting services. In fact, in 2013, Vietnam's public financial management scored only 3.5 out of 6 points based on the World Bank Country Policy and Institutional Assessment [2]. Moreover, other problems with ODA financial management in Vietnam have been in existence. Most ODA is distributed unevenly to big cities and provinces, while only limited ODA was provided to poor provinces. In addition, the MPI sometimes provides ODA but neglects the repayment capacity of projects, resulting in bad debts and the inability to recover ODA capital.

Therefore, under this indicator, South Korea in general and its donor in particular in Vietnam have not been effective in light of the fact that they have not strongly contributed to strengthening the financial management system of Vietnam. It raised an urgent need that Vietnam should consider improving its ODA financial management before requiring ODA donors to use and contribute to improve Vietnam's system.

Indicator 4: Aid is untied

ODA to Vietnam, especially bilateral non-refundable aid, is often attached to stringent conditions from donors. Common attached conditions involve the objectives of ODA utilization, selection of contractors from donor countries, and requirements to buy goods and services originating from donor countries or donor enterprises. These binding conditions might increase trade and investment between two nations while ODA projects are being conducted, but in the long run they can increase costs and reduce efficiency of ODA projects. In the past 3-4 years, binding conditions of ODA provisions to Vietnam from international organizations and European donors have tended to decrease while Asian donors have maintained strict binding conditions.

According to the interview results, South Korea's ODA is considered excessively bound to stringent conditions. Therefore, under this

indicator, to improve South Korea's aid effectiveness in Vietnam, it is of great importance that South Korea should first of all relax their ODA binding conditions for long-term efficient trade and investment bilateral cooperation.

4.1.2. Inclusive development partnership

Indicator 5: Engagement and contribution of the private sector to development

Recognizing the role of the private sector in advancing innovation, creating wealth, income and employment, and contributing to poverty reduction, *Vietnam has recently promoted engagement of this sector in socio-economic development.* The most notable effort has been the creation of the Vietnam Business Forum (VBF), which is implemented primarily through bi-annual forums between the business community and the Vietnamese leadership. The key objectives of the VBF are to nurture public-private dialogue and increase the voice of the business community through facilitating dialogue and working with the government. Another way to engage the private sector has been to promote public-private partnerships (PPP). Decree 38/2013/ND-CP on ODA Use and Management specifies the forms and conditions for the private sector to receive ODA in Vietnam. On February 14th, 2015, the Vietnamese government issued Decree No. 15/2015/ND-CP on investment in the form of PPP to create one unified legal framework, paving the way for the promotion of private sector investment in infrastructure projects and public services. Decree No.15 has broadened the investment sectors eligible for PPP to include not only transportation infrastructure, electricity, water, health, and the environment, but also fields such as education, culture, trade infrastructure, and science and technology. This decree also stipulates that the funds used in PPP include both loans and grant ODA.

In line with Vietnam's objectives to promote engagement and the contribution of the private sector to development, over the last two decades, *private sectors have played an increasing important role in development*

cooperation between South Korea and Vietnam. Regarding non-refundable aid, KOICA has cooperated with various private partners, from non-government organizations (NGOs), and private and social enterprises to universities and research institutes [5]. The interview results show that KOICA provides about 50% - 80% of capital when cooperating with private partners, 100% in the case of local NGOs, and 80% in the case of South Korea's NGOs and universities. Through partnership with various organizations and enterprises, KOICA has provided aid to a wide range of recipients in Vietnam.

More specifically, between 1995-2013, KOICA provided USD 11.1 million in aid to Vietnam through NGOs⁷. In 2012, KOICA Vietnam Office provided aid to two local NGOs, the community-based Health and HIV/AIDS Care and Support Centre (HHCSC), and the Centre for Rural Community Research and Development (CCRD). HHCSC helps improve the quality of life of children affected by HIV/AIDS, while CCRD introduces sustainable farming practices supporting a cleaner environment. This was the first time that KOICA extended support to local NGOs in Vietnam. KOICA also involved social enterprises in ODA activities, such as the Baking and Pastry Skill Course at the Korea-Vietnam Vocational Training College in Nghe An.

Although PPP projects in the form of ODA loans have not been widely pursued yet, the South Korean government is exploring new PPP projects that can complement typical and traditional ODA loans by applying various project models. Financing a portion of a PPP project, such as a highway or toll road, through an ODA loan is one example. This model has been applied to certain projects in Vietnam, for example, the construction projects of Thinh Long bridge and a thermal power plant in Nam Dinh province [6].

Therefore, at both government and donor levels, the *ODA of South Korea in Vietnam has been relatively successful and effective* in terms of facilitating engagement and contribution of private sectors to development in Vietnam through PPP activities. This enables ODA from South Korea to be utilized in Vietnam by a wider range of recipients under various forms, thus creating a greater effect on the community.

Indicator 6: Gender equality and women's empowerment

Up to 2013, no South's Korean ODA project in Vietnam directly involved gender equality and women's empowerment. Recently, South Korea has paid more attention to this area and has provided more ODA to improve gender equality in Vietnam⁸. According to the interviews, since 2015, KOICA has cooperated with Vietnam's Ministry of Labor and Social Affairs (MOLISA) with the aims of establishing a hotline and a specialized agency (the Department of Women) to protect and support women. In the future, this sector is expected to be one of the main areas of focus of South Korea's ODA in Vietnam in addition to an ODA project between KOICA and MOLISA related to gender and children's rights violations.

Therefore, under this indicator, South Korea's development aid is considered to be initially effective when starting to provide aid to address gender issues, which is beyond Vietnam's current stated priority ODA sectors.

4.1.3. Transparency and Accountability

Indicator 7: Information on development cooperation is publicly available

The Vietnamese government has one official website managed by the MPI to provide ODA-related information in Vietnam⁹ such as ODA news by sector, policies, and regulations. In addition, from 2010 to 2013, ODA

⁷ http://stat.koica.go.kr:8077/komis/jsptemp/ps/stat_index.jsp

⁸ In a recent meeting of the United Nations, the president of South Korea stated that the problems of women and children, in addition to climate change and environment protection, will be the key content of the provision of South Korea's ODA to developing countries in the future.

⁹ <http://oda.mpi.gov.vn/>

newsletters were electronically published to update information about ODA donors and analyze ODA use and management in Vietnam. Workshops and seminars are other important channels to publicly provide information on development cooperation in Vietnam. As key and traditional ODA donors to Vietnam, South Korea and KOICA has often been mentioned on the website and ODA newsletter. However, all the above-mentioned information channels are inadequate and out-of-date. Data on overall ODA in Vietnam is behind by five years, and Vietnam does not develop an official database that presents a detailed picture of ODA in Vietnam over time, and by sectors and donors. Only big and striking ODA projects are frequently mentioned in the above channels.

In contrast, information and data about South Korea's ODA in Vietnam is timely, comprehensive, and forward-looking. KOICA's headquarter has an official website which provides information updates such as historical, current, and future information on aid flows, aid projects and programs, KOICA project evaluations, and ODA by specific partner. To improve the ability of accessing information, the KOICA Vietnam Office plans to set up an official website to provide necessary information on all its activities in Vietnam.

Indicator 8: Mutual accountability among cooperation actors is strengthened through inclusive reviews

A country is considered to have a mutual assessment of progress in implementing agreed commitments when at least four out of the following five criteria are met: (1) An aid policy or partnership policy defines the recipient country's development cooperation priorities; (2) National targets for effective development cooperation exist for both recipient government and provider of development cooperation; (3) Progress has been assessed regularly and jointly by the government and providers at senior level over the past two years; (4) Local governments and non-executive stakeholders have been actively involved in these reviews; and (5)

Comprehensive results of reviews have been made public in a timely manner.

For criteria 1 and 2, in November 2006, the Vietnamese government promulgated Decree No. 131/2006/ND-CP to issue Regulations on Management and Utilization of ODA. Under this decree, priority areas for ODA utilization were defined clearly. After that, in April 2013, Decree No. 38/2013/ND-CP was issued with changes in priority areas. As analyzed previously, South Korea's aid and partnership policies are appropriate to Vietnam's development priorities. Therefore, criteria 1 and 2 have been met.

In relation to criteria 3 and 5, according to the interview results with KOICA and MPI representatives, South Korea and Vietnam assign the role of each party in the cooperation process when signing a memorandum of cooperation. Accordingly, both South Korea and Vietnam establish a project management unit to monitor the activities of projects and programs. Each year, KOICA issues from one to three evaluation reports on projects in Vietnam to summarize all the information about the projects, evaluate each project based on DAC criteria, and point out strengths, weaknesses, reasons for weaknesses, positive and negative result, impacts, and lessons. Data sources for evaluation reports come from not only KOICA's observations of projects but also from the Vietnamese government's analysis and information. This interaction partially shows cooperation between Vietnam and KOICA in the management of projects. Therefore, *criteria 3 and 5 are, to some extent, achieved*. However, many problems require solutions under these two criteria. Firstly, the involvement of Vietnam's management unit is limited because the Vietnamese side mainly provides supports through administrative procedures, such as visa extensions for foreign experts and application for construction permits because funds available to the Vietnamese to carry out ODA as well as ODA evaluation capacity are low. Secondly, the review and assessment processes of many ODA projects are made by South

Korea only. According to our interview results, in a lot of cases, only South Korea prepares and publishes evaluation reports at project level. The reports frequently argue that the late disbursement of ODA lies at the fault of Vietnamese procedures. However, there may be cases where late disbursement results from both parties. Therefore, the objectivity of ODA evaluation reports can be improved if cooperation between Vietnam and South Korea in management and evaluation is strengthened.

Criteria 4 has also been met. For example, Quang Binh province participated in an ODA review and assessment by preparing and issuing the "Report on attracting, managing and using ODA capital and preferential loans for the period 2011-2015" [7]. A lot of other provinces, such as Da Nang, Hanoi, and Ho Chi Minh City, have their own assessments on ODA efficiency and ODA flows into their provinces. Furthermore, the engagement of non-executive stakeholders in the review process is expressed through the active participation of these stakeholders in surveys or interviews conducted by KOICA.

Therefore, under Indicator 8, the initial analysis and interview results show that so far, South Korea's ODA is effective in promoting mutual accountability.

4.2. Evaluation at project level

4.2.1. Evaluation of South Korea's development aid

The construction project of Quang Nam Central General Hospital (QCGH) was chosen for evaluation because of its significance and impact. The project, worth USD 35 million, was implemented during the period 2006-2012. At the time of completion, the hospital was the most modern hospital in Vietnam.

Relevance

The project aims to improve health care in the central region of Vietnam through constructing QCGH as the key hospital for the seven central provinces, introducing advanced medical equipment and technology, and enhancing the capacity of the hospital's

management in Vietnam. This aim is consistent with Vietnam's Strategy for Social and Economic Development for the period 2001-2010 to promote healthcare development as well as Vietnam's five-year development plan of the healthcare sector between 2011-2015. The project also matches the country's direction toward improving healthcare in disadvantaged areas, which lack medical services, equipment, and personnel.

Efficiency

The project was financed in line with the initial budget of USD 35 million, including USD 24.8 million for construction, USD 7.4 million for equipment and material support, USD 1.8 million for training, and USD 1 million for expert dispatch. However, QCGH was completed three years later than scheduled, thereby reducing the project's efficiency. The causes were mainly from Vietnam's side and related to delays in land securement, construction permission, contractor selection, and design changes [8].

Effectiveness

KOICA initially proposed the hospital built in Da Nang city, a convenient location for transforming the hospital into a key medical facility in the central region. Nevertheless, the government of Vietnam requested the hospital to be built in a rural area of Quang Nam province to improve the region's healthcare and promote the development of the Chu Lai Open Economic Zone. Because of the unfavorable location, QCGH has failed to serve as a tertiary medical center or as the key hospital of Vietnam's central region. Rather, it functions as a local hospital with a very limited number of patients from other provinces (80% of patients are from Quang Nam province and 20% of patients are from Quang Ngai province). As a result, the actual level of provision of medical services is below target [8].

As part of the operation of QCGH, the actual number of outpatients is less than 50% of the predicted number. Meanwhile, the actual average number of inpatients (550 patients per day) exceeded expectation (445 patients per

day). The excessive supply of outpatient services and the shortage of inpatient services show the project's ineffectiveness. Besides reasons from Vietnam's side, this is also due to the incorrect estimation of demand for medical services and limited knowledge of Vietnam's medical delivery system on the part of the donor.

Impact

The project has provided training for 20 local medical doctors and 25 executive leaders from QCGH. QCGH has also been running a training program, which financially supports applicants for the CK1/CK2, master and doctorate courses, and operating training sessions for medical and administrative personnel at other hospitals in the surrounding areas. Despite certain limits, such as the short training period (1-2 months), these activities partly contributed to capacity improvement of regional medical personnel and the computerization of the hospital operating system.

QCGH has also improved the quality of medical services in Quang Nam and Quang Ngai provinces. QCGH has the equipment and the capacity to diagnose cardiovascular patients, perform interventional procedures and treat heart disease patients. In addition, the use of medical devices such as CT, MRI and DSA devices has been increasing. The hospital also runs an artificial kidney unit for patients with end-stage kidney disease and provides appropriate medical services to local patients. While QCGH has the facilities and equipment to provide high-level medical services, medical personnel capability of using such facilities and equipment is insufficient [8].

Sustainability

In terms of institutional sustainability: QCGH is directly managed by the Ministry of Health. It maintains a good partnership with the ministry and receives financial support from the central government. However, the rate of increase of the government's funding for the hospital is rather low, and it is not easy to obtain provincial-level support. As for

governance within the hospital, it is encouraging that no significant problems have been found [8].

Regarding human resource sustainability, currently, there are about 92 doctors working at QCGH, of which only 4 doctors have either completed the CK2 course or obtained a doctorate degree, 33 have either completed the CK1 course or obtained a master's degree, and the remaining are ordinary doctors. The fact that very few doctors have a CK2 qualification or above weakens QCGH's competitiveness over other hospitals in the treatment zone. Due to the problematic location, it is difficult for the hospital to recruit competent doctors, which poses one of the biggest obstructions to the sustainability of QCGH.

Concerning financial sustainability, it is encouraging that the hospital's revenue has an upward trend. However, the financial sustainability has certain risky factors such as the possible stagnation of patient numbers (between 2012 and the first half of 2014, the number of outpatients decreased by 32%) and increasing competition.

5. Conclusions and implications

This paper assessed the effectiveness of South Korea's aid development in Vietnam at all three levels: nation, donor, and project. The evaluation was based on indicators proposed in the Busan Partnership Agreement and OECD's DAC criteria.

The results show that at both national and donor levels, South Korea's ODA in Vietnam is successful and effective in the following aspects. *Firstly*, South Korea and KOICA have considered Vietnam as the traditional priority ODA recipient since 1993 and supported Vietnam considerably, not only during the process of becoming a low middle-income country but also in the process of international economic integration. *Secondly*, the main sectors of South Korea and KOICA's development aid are not only appropriate but

also adjusted to the changing targets of the Vietnamese government. *Thirdly*, the ODA of South Korea and KOICA has facilitated engagement and the contribution of private sectors to development in Vietnam through PPP activities. *Fourthly*, South Korea's ODA in Vietnam supports a forward-looking vision with the commencement of aid to sectors beyond Vietnam's stated priority ODA sectors, for example, gender equality. *Fifthly*, the effectiveness of South Korean aid is also enhanced through public and up-to-date information on development cooperation between Vietnam and South Korea. *Sixthly*, South Korea has applied effective international methods to define, monitor, and evaluate ODA operations, thereby increasing the efficiency of ODA in Vietnam. Besides determinants from South Korea itself, the success of South Korea's ODA in Vietnam also arises from Vietnamese efforts. This is evident through Vietnam's clear determination and targets for ODA priority sectors. In addition, Vietnam's efforts to promote public-private participation and the willingness of Vietnam's government to participate in mutual reviews play key roles in increasing efficiency of ODA in Vietnam.

However, there is some ineffectiveness in South Korea's development assistance in Vietnam. The disbursement of South Korea's ODA in Vietnam is often not implemented as scheduled due to legal differences and burdensome administrative procedures. South Korea's ODA implementation has not significantly strengthened Vietnam's financial management system. Furthermore, most aid from South Korea is still strictly tied to binding conditions, resulting in low efficiency of ODA utilization. Even though South Korea has adopted international standards when managing and controlling ODA in Vietnam, the inclusive cooperation between South Korea and Vietnam in reviewing and assessing the effectiveness of ODA projects is still limited. Low capacity of Vietnam's financial management system, burdensome administrative procedures, and the low quality of ODA-related information also

cause ineffectiveness. In addition, funds for evaluation activities and the ODA-evaluation capacity of Vietnam remain low, creating barriers for Vietnam and ODA donors to implement mutual reviews and management of ODA projects.

At project level, the QCGH project of KOICA has proved to be relatively successful. Activities and outputs of the project are appropriate and consistent with overall goals. Objectives are closely relevant to the development needs of the recipient country and the purposes of the donors. The project has partially achieved its objectives of improving regional medical services and becoming a central-level hospital. However, the project has certain shortcomings. Its objectives were not reached on time and the hospital has remained second-class in terms of quality. The project has contributed to an improvement in regional medical services, however, the number of actual beneficiaries is below expectation. Stagnation in the volume of patients and difficulty in attracting qualified medical personnel pose risks of sustainability. Lessons can, therefore, be drawn from this project: (i) To ensure relevance and improve project effectiveness, it is desirable for the recipient country to actively participate in projects. However, it may be dangerous to modify project details for purposes other than the fundamental goals of the project. Reviews and adjustments, therefore, need to be made carefully; (ii) Optimistic forecasts should be considered thoroughly and pre-feasibility research should be conducted to ensure that expectations are not far-fetched; (iii) It is important to understand the recipient country's institutional environment as a factor with crucial impact on the effectiveness and sustainability of a project.

Through analysis and evaluation of South Korea's ODA performance in Vietnam, the following implications are highlighted by this paper to strengthen development aid

effectiveness between Vietnam and donors including South Korea.

For donor

Firstly, it is of great importance to understand the development priorities of the recipients as a starting point and match these priorities with their strengths and cooperation objectives.

A successful donor must also understand the new and changing context of the recipient and must even go one step further: provide ODA to new sectors that are essential for modern development.

Secondly, the donor should choose an appropriate ODA strategy in accordance with the context and development level of the two parties. At the same time, the donor should increase responsibility of the recipient nation in utilizing ODA.

Thirdly, during operations in the recipient nation, ODA donors can advise the recipient nation, based on donor experience, on how to improve ODA financial management systems. Donors should consider partly using those systems in order to enhance future effectiveness of ODA in the recipient nation.

Fourthly, ODA donors should increase opportunities for the developing recipient to mutually review and manage ODA projects. The ODA donors must also follow world standards on aid effectiveness to increase effectiveness of providing ODA in the recipient nation.

Fifthly, one feature of ODA is binding. However, donors should relax the conditions attached or discuss conditions with the recipient for long-term efficiency of ODA projects.

Sixthly, since the private sector is an important source of economic development in developing countries, ODA donors should pay more attention to improving engagement and the contribution of this sector in ODA utilization.

Finally, ODA donors, especially non-traditional donors, should actively develop efficient information channels to provide not only up-to-date but also forward-looking

information and data on ODA flows, strategies, and future plans. ODA evaluation reports should also be provided.

For Vietnam

Vietnam can contribute considerably to increasing the effectiveness of ODA it receives by removing barriers of administrative procedures, reconciling the differences in disbursement regulations between Vietnam and ODA donors, and improving the ODA financial management system.

The policy on priority sectors for ODA utilization must be more flexible in managing ODA to cope with changes within and outside the nation, especially adjusted to the new context of international integration. Policy must have a forward-looking vision to attract ODA to areas such as gender equality and women's empowerment.

For a developing country like Vietnam, it is vital to gain experience from ODA donors on how to review and assess ODA projects in order to increase ODA management capacity. Vietnam must also actively request that ODA donors allow Vietnam to participate more in ODA evaluation and review processes.

Finally, Vietnam should pay more attention to improving the quality of ODA information and databases by updating the ODA website managed by the MPI, making the three types of ODA evaluation public and informing the community of changes in ODA-related policies. These activities will improve transparency, reduce corruption, and provide information to concerned parties, such as the private sector and researchers, so they engage better in ODA utilization and management.

At project level

Firstly, the donor should set clear and specific goals, objectives, and schedules for projects. Participation and cooperation of the recipient country and other stakeholders are important to ensure the success of projects; however, any request for changes needs to be considered cautiously to avoid deviation from the fundamental initial purposes of projects.

Secondly, it is essential to do pre-feasibility studies. Over-optimistic forecasts by the recipient country may reduce the efficiency and effectiveness of the project. Whenever adjustments occur, research should also be conducted to ensure the validity of new targets that result from adjustments.

Thirdly, regular supervision and assessment during implementation of projects is necessary in order to make timely adjustments in line with prevailing circumstances. Assessment after project completion is also important to draw lessons for future projects.

Fourthly, it is important to understand the recipient country's institutional environment as this factor has a crucial impact on the effectiveness and sustainability of projects.

Finally, to enhance project sustainability, close connections and effective cooperation between donors, recipient countries, and other stakeholders are required.

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