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WORLD BANK GROUP

Hanoi, 1 April 2016

Joint Development Partner Statement on Regional Coordination in Viet Nam

We, a group of Development Partners in Viet Nam, including Asian Development Bank, AFD, Australia, Belgium, Germany, IFAD, Israel, IUCN, Japan, KOICA, the Netherlands, Switzerland, United Nations, USAID and World Bank, would like to express our support for the initiative by the Government and the Central Economic Commission (CEC) of the Communist Party of Viet Nam to consider strengthening regional coordination in the country.

We are convinced that national and regional development will benefit considerably from improved regional coordination. Many important challenges for Viet Nam's development need to be addressed at a supra-provincial level. Regional economic development, climate change adaptation, and regional infrastructure development all require a concerted effort of neighbouring provinces in close cooperation with the central government and the private sector in order to make efficient and sustainable use of available financial and natural resources.

Improved regional coordination holds significant potential for economic development. Regional coordination can facilitate the creation and strengthening of economic areas, building on natural capital endowments, and taking into consideration specific spatial challenges and vulnerabilities. By identifying and strengthening their comparative advantages, regions can become more competitive and increase the income and sustainable livelihood opportunities for the local population. In addition, many environmental and climate change-related challenges can only be solved through stronger regional and interprovincial coordination.

Decisions taken at the provincial level may have strong and unintended negative impacts on other provinces. This is already evidenced in the case of the Mekong Delta where land-use and water management decisions have spill-over effects beyond provincial boundaries. The current practice of province-level policy and investment decisions creates inefficiencies from duplication or lack of coherence with investments in neighbouring provinces. **Increased coordination and cooperation between provinces, especially relating to region-wide development pressures, would improve the impact of such investments.** Sustainable and climate-resilient regional economic development with benefits and impacts beyond provincial boundaries would require active consultation and joint decision-making on investments.

Some Development Partners have been actively engaging with the Government of Vietnam on the development and climate change challenges the Mekong Delta faces, and we believe that regional coordination is critical for multi-sectoral and interprovincial solutions needed. We also

believe that the issues identified in the Mekong Delta are valid also for other parts of the country. Thus, we jointly support the current considerations of Party and Government to strengthen regional coordination and facilitate interprovincial linkages, and suggest taking into account the following:

First, effective regional coordination requires strong institutions. Any substantial improvement in regional coordination must be driven by actors with the capacity and mandate to facilitate or lead such coordination. Regional coordination also requires an inclusive process to balance the perspectives and interests of multiple stakeholders at different levels in order to recognize trade-offs across sectors and over time, and to build consensus. It also requires the effective engagement of, and consultations with, citizens as well as the private sector.

Second, regional planning and its linkages to financing are essential conditions for effectiveness in regional coordination. Regional planning efforts must be reconciled with sectoral master plans, as well as provincial level socio-economic development plans. Regional plans, with a longer term perspective, are highly relevant for creating an agreed set of objectives and priorities, for addressing trade-offs between provinces and sectors, and for identifying appropriate investments. To facilitate their implementation, regional plans must be appropriate and adequately linked to public budgets, and supplemented by private and international finance.

Third, to foster sustainable development and enhance resilience to climate change impacts, **a regional coordination mechanism would need to go beyond economic development and be mandated to identify and implement multi-sectoral solutions**, cutting across for example public investment management, agricultural growth policy reforms, governance of urbanization, and integrated water resource management.

Fourth, strengthening regional coordination is urgent and can be advanced in a phased manner. We recognize the Government of Viet Nam's efforts on the pilot regulation on regional coordination in the Mekong Delta, which has been submitted to the Prime Minister for approval. We would welcome ratification and implementation of the regulation. Based on such pilots and customized regional coordination mechanisms, the government could then expand regional coordination on a broader scale.

A regional mechanism would be an innovation embedded within existing national Government structures, with clear mandates, staffing and budgeting processes. This may need reforms relating to decentralization of some decisions, and centralization of others. These regional mechanisms would also require the necessary policy framework and incentives for decision makers across provinces and sectors to jointly steer planning and investments.

We, as Development Partners, believe that such a governance approach would greatly reduce current challenges of provincial fragmentation, and contribute to better efficiencies in public investment. Such regional coordination mechanisms would benefit the sustainable socio-economic development of Viet Nam. We stand ready to support this important step forward.