Poverty Reduction Strategy Process
and
National Development Strategies Asia:
A Report to DFID

COUNTRY STUDY
VIETNAM

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February 2004

Note:
This document is solely the responsibility of the authors.

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<th>Acronym</th>
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<td>ADB</td>
<td>Asian Development Bank</td>
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<tr>
<td>CEMMA</td>
<td>Committee for Ethnic Minorities and Mountainous Areas</td>
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<td>CPRGS</td>
<td>Comprehensive Poverty and Growth Strategy</td>
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<td>CDF</td>
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<td>CFA</td>
<td>Catfish Farmers of America</td>
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<td>Doi moi</td>
<td>Renovation, economic reform</td>
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<td>(Deutsche) Gellschaft für Technische Zusammenarbeit</td>
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<td>GVN</td>
<td>The Government of Vietnam</td>
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<td>HEPR</td>
<td>Hunger Eradication and Poverty Reduction (Strategy for)</td>
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<td>Interim Poverty Reduction Strategy Paper</td>
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<td>JBIC</td>
<td>Japan Bank for International Co-operation</td>
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<td>Structural Adjustment Programme</td>
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<td>(Ten-year) Socio-Economic Development Strategy</td>
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Executive Summary

The present country study compares Vietnam’s national plans with the PRSP approved in 2002. Vietnam’s experience is particularly relevant to the issue of the relationship between PRSs and national development strategies owing to the country’s dramatic success in reducing the incidence of measured poverty over the past 15 years. The donor community remains enthusiastic about Vietnam’s economic prospects and the role of the PRS process in improving national planning and reinforcing the link between growth and poverty reduction. The case of Vietnam is also salient to this issue in light of the country’s long tradition of development planning. As strong country ownership of the planning process is common in East and South Asia, Vietnam’s PRS experience could inform policymaking in similar countries in the region.

The central statement of Vietnam’s development strategy is contained in the ten-year Socio-Economic Development Strategy (SEDS) and the five-year plans derived from it. The most recent set of plans was approved by the Ninth Party Congress in April 2001. The SEDS and five-year plans are produced centrally but formulated on the basis of an extensive process of formal consultation within the Communist Party and through the vehicle of the mass organizations. Although participation in SEDS process is largely confined to the party and government, the process is most definitely nationally owned and country-driven. Donors, lender, and international NGOs are kept at arm’s length from the process, and domestic political considerations take precedence over the priorities of development partners.

National plans are based on sectoral strategies produced by line ministries and other central government agencies. During the reform period the function of national plans has changed from comprehensive planning of output measured in physical units to setting out the broad directions of economic policy together with a limited number of specific objectives. The SEDS and five-year plans do not set clear priorities and are viewed as a statement of the party and government’s ambitions rather than an attempt to codify hard choices relating to resource allocation. However, the SEDS and five-year plan are important in that they set the agenda for public investment contained in the five-yearly Public Investment Programme (PIP) produced by Ministry of Planning and Investment (MPI) and other spending decisions.

The PRS process ran concurrently with the drafting of the SEDS, although the former was finalized one year after the SEDS. Vietnam was chosen as a pilot country for the World Bank’s new Comprehensive Development Framework (CDF) in 1999. At the request of the Bank, the government established a government-donor-NGO ‘Poverty Working Group’ (PWG) to improve co-operation and information sharing. With support from the PWG, the Ministry of Planning and Investment produced an interim PRSP (I-PRSP) in 2001, and this document was accepted as the basis for concessional loans from the World Bank and IMF. Vietnam was the first country to receive assistance on the basis of an I-PRSP in expectation that a full PRSP would follow in due course.

MPI produced the Comprehensive Poverty Reduction and Growth Strategy (CPRGS)—the name assigned to the PRSP by the government—after a period of consultation and with the help of the PWG and the Poverty Task Force (PTF), an offshoot of the PWG. The CPRGS was signed by the prime minister, but not submitted to the party congress or National Assembly. GVN regards the CPRGS as an ‘action plan’ of the SEDS, and therefore the latter takes priority in national policymaking discussions.
Poverty Reduction in the SEDS and CPRGS

Poverty was already high on the agenda of Vietnamese policymakers before the PRS process was initiated. The government produced a Hunger Eradication and Poverty Reduction Strategy (HEPR) and has funded targeted programmes for specific regions and groups. The donors and government are also in broad agreement that economic growth is the main cause of the sharp fall in the incidence and depth of recorded poverty in Vietnam. Unlike many other developing countries, including Vietnam’s Asian neighbours, the main objective of the PRS process was not to raise the profile of poverty reduction but rather to develop appropriate mechanisms and targets, and to mainstream poverty reduction efforts within the government’s broader development framework.

The PRS literature specifies six core principles that are intended to guide the process of strategy formulation. PRSPs should be participatory, involving all relevant stakeholders; country-driven; based on partnerships among government, donors and civil society groups; results-oriented; comprehensive and long-term; and should clearly prioritize policy objectives to facilitate efficient allocation of resources. We review the SEDS and CPRGS in light of these principles. The approach helps us to identify the strengths and weaknesses of the SEDS and CPRGS, and to gauge the value added of the latter.

The development of the PRS in Vietnam must be viewed as part of a long-term process of institutional change. Progress in some areas is easier than others. Donor-government relations have improved markedly during the PRS process, and the government has made progressively greater use of international norms and concepts in formulating development and anti-poverty strategies. In other areas, particularly those relating to internal decision-making processes and resource allocation decisions, progress has been made, but at a slower pace.

Participation

These general conclusions are reflected in the participatory nature of the process. The CPRGS drafting process was far more transparent than that of the SEDS, particularly to the donor community and civil society groups. The detailed involvement of the PTF in generating poverty analyses, in organizing consultations and in providing comments on drafts marks a qualitative shift in the involvement of outsiders in the process of producing an important government document. But the CPRGS was created by and for the central government, and thus did not mark a substantive change in the machinery of national planning. In some ways, preparation of the CPRGS was more centralised than the SEDS. The drafting team consisted of representatives of MPI and the central government ministries and agencies. The party did not circulate the document through the same channels as the SEDS, nor was it publicized in the media. Crucially, the National Assembly neither participated in drafting nor approved the final document. The participation of local government was limited to six communal consultations and four regional consultation workshops between December 2001 and March 2002.

Work has begun at the provincial and sectoral levels to integrate the CPRGS into existing plans and budgets. Central government agencies, donors, INGOS and local NGOs are all active in the process. Some donors, including UNDP and DFID, have launched programmes to increase the National Assembly’s role in future planning exercises and in monitoring the implementation of the CPRGS.
International NGOs perhaps benefited most from the CPRGS format. Their participation in the PWG/PTF was the most novel feature of the CPRGS process in the Vietnamese context. International NGOs also pressed for greater involvement of local NGOs, although there are still very few such organizations in Vietnam, and their independence from the state is sometimes more apparent than real. The mass organizations played a lesser role in the drafting of the CPRGS than in the SEDS.

Public participation in the CPRGS process took the form of participatory poverty assessments prior to the drafting of the document and the six commune consultations in the same locations (with two additions) in early 2002. Although the consultations did influence the CPRGS to some extent, the exercises were most useful as a demonstration of what is possible in the Vietnamese context. More PPAs and consultations have been held as part of the CPRGS roll-out. The challenge for the future is to integrate these activities into the government’s own planning and evaluation procedures, and into the routine functions of representative bodies at the central and local levels.

Country Ownership

The SEDS and five-year plans are clearly owned by the government. Donor inputs were largely peripheral to the process. Although the donors had a larger role in formulating the CPRGS, the document was produced on GVN’s own schedule and was written by Vietnamese in the Vietnamese language, and only later translated into English. However, the government’s guardedness with respect to the role of donors in policymaking does not necessarily mean that CPRGS was ‘owned’ in the sense that GVN initiated the process and carried it out on its own accord. On the contrary, one of the major motivations for drafting the CPRGS was the desire to access concessional financing from the World Bank and IMF. In this sense the CPRGS is to some extent, as one high-ranking official put it, a document that is ‘just for the donors’. The true extent of GVN’s commitment to the process and the contents of the CPRGS will emerge during implementation and in successive planning exercises.

Partnership

Donor involvement in Vietnam’s PRS did not begin with the CPRGS: intensive dialogue on poverty issues began with the first Vietnam Living Standards Survey (VLSS) in 1992 and has continued since then. The formation of the Poverty Working Group marks an important departure in donor-government relations. The experience of working together towards common goals afforded by the PWG and other groups has helped to build trust among government agencies, donors, lenders and international NGOs. Viewed from the long-term perspective, the PRS has clearly improved the quality of donor-GVN interaction and the poverty focus of partnerships.

The World Bank’s leadership in forming partnership groups and driving the PRS from the donor side—a role reinforced by co-financing arrangements with bilateral donors—has positive and negative implications for the process. The Bank’s commitment to the process has raised the profile and prestige of groups like the PWG, and provided important analytical and organizational inputs. Led by the World Bank, donors have coalesced around an anti-poverty strategy that includes legal, public administration, state-owned enterprise and financial sector reform alongside investment in infrastructure, education and health. However, some donor representatives—as well as a few government officials—expressed concern that the Bank’s enthusiasm in Vietnam has contributed to an
environment in which new aid commitments have built up too rapidly. Inability to disburse aid flows in a timely manner has resulted in pressure on both the government and donors to move money through the system.

Results Orientation

One area in which the CPRGS is an unqualified improvement over the SEDS and five-year plans is in the use of concrete objectives and indicators. Although many of the targets listed in the SEDS are also included in the CPRGS, the objectives listed in the latter document are more specific and amenable to monitoring. The targets and indicators presented in the CPRGS are based on the Vietnam Development Goals (VDGs), which are an adaptation of the Millennium Development Goals to the Vietnamese context.

However, concerns remain about the realism of the objectives and targets contained in the CPRGS. The document does not directly address the vital issue of public investment and fiscal policy. Some targets are vague, and others are not explicitly linked to policy change. In addition, the document does not address the issue of data quality or the reporting burden on some agencies, particularly at the local level. Nevertheless, the objectives listed in the CPRGS are more concrete than in the SEDS, and the process of arriving at these objectives was a valuable learning experience for Vietnamese planners. The extent to which these objectives, targets and criteria inspire concrete policy reforms depends largely on the implementation process.

Comprehensiveness

Both the SEDS and CPRGS are comprehensive from the perspective of addressing a wide range of sectors and development issues. Both emphasize the importance of economic growth to poverty reduction. However, in the SEDS and five-year plan poverty is treated mainly as a sectoral issue reflecting the targeted programmes approach favoured by the government. In the CPRGS, the adaptation of the Millennium Development Goals in the form of the VDGs ensures that the approach to poverty is multi-dimensional, encompassing issues relating to equity, opportunity and social security. The CPRGS also brings in a number of so-called ‘cross-cutting issues’ such as gender equality and environmental sustainability that are largely absent from the national planning documents.

Prioritization

One of the major weaknesses of the SEDS and five-year plan is the absence of clear priorities. The stated aim of the CPRGS, as an ‘action plan’ of the SEDS and five-year plan, was to link the objectives and outcomes listed in the national plans to concrete policies and investments. This task was partially achieved in the appendices to the document, which list policies, objectives and targets. However, the CPRGS has had little apparent impact on the Public Investment Programme (PIP), despite the fact that it was produced by the same department in MPI that led the CPRGS drafting team.

The Impact of the CPRGS on National Planning

The main finding of this report is that the CPRGS should be viewed as one part of a long, ongoing process of institutional change. From this perspective it is too early to ar-
rive at definitive conclusions regarding the impact of the PRS process on national planning. Some early indications will emerge during the next planning round due in 2005. Three potential areas of impact are intra-governmental relations, the relationship between government and civil society, and the pattern of public sector spending. Substantial scope exists for learning from the PRS process to spill over into the regular national planning system in these areas. These benefits are more likely to be realized if the principles of the PRS are mainstreamed into the national planning process. Progress in this area will require a long-term commitment to cooperation, capacity building and experimentation at the central, sectoral and provincial levels.

Intra-Governmental Relations

The CPRGS is not a well-known document within government circles. Responsibility for its production was assigned to one department within MPI. Within the line ministries, awareness of the document is limited to those individuals directly involved in the process. Unlike the SEDS, it was not disseminated widely or publicized through the mass media. Familiarity with the document is also limited at the provincial level. Some efforts are being made to raise the profile of the CPRGS. But the implementation process has started slowly, with nearly a year elapsing between approval of the document and MPI regional workshops.

Some observers argue that the CPRGS has given greater voice to line ministries in national planning decisions. They see MPI’s role, for example, as changing from that of gatekeeper to equal player in the planning process. This view probably understates the extent of consultation that already exists in the national planning system and overstates the changes introduced for the CPRGS. The SEDS process may be opaque to outsiders, but internally the line ministries participate actively through the preparation of sectoral plans and detailed, high-level negotiations with MPI, MOF and the government office. It is also far from certain that the multilateral approach tested with the CPRGS will carry over to the national planning system. Yet there exists substantial scope for integrating national plans and sectoral programming, targeting and monitoring. Some line ministries, notably MARD and MOET, are eager to build capacity in these areas.

Provinces are the key level of government in terms of implementation of national plans and the CRPGS. In most provinces administrative, representative and operational capacity is insufficient to carry out the tasks of formulating local socio-economic development strategies, implementing these strategies and monitoring the results. Tremendous scope exists for improvements to current structures and procedures through capacity building and co-operation with donors and civil society groups. Provinces with access to local resources have greater budgetary discretion and therefore enjoy more scope for policy innovation. As poorer provinces depend to a larger extent on central government resources the impact of the local PRS process is limited.

Government-Civil Society Relations

The great irony of the CPRGS is that despite the strong rhetorical emphasis on participation and consultation, the National Assembly—the legislative branch of government and an increasingly important check on government decision-making—was excluded from the process of drafting the document or implementing the strategy contained within it. This represents a missed opportunity for both the PRS process and the SEDS.
Other representatives of civil society were more actively involved in the PRS process, although it is too early to tell whether their participation marks and meaningful shift in public access to the planning system. Among the mass organizations, only the Women’s Union took an active role in drafting the CPRGS. The existence of the mass organizations narrows the scope for local NGOs, which in some respects are competitors for external partnerships and political legitimacy. The development of local NGOs has been largely externally driven, and the characteristics of most local NGOs reflect these origins. Although some local NGOs participated in CPRGS consultations at the request of INGOs, their role was limited.

INGOs, by way of contrast, were one of the main beneficiaries of the CPRGS process. The Poverty Working Group/Poverty Task Force provided these groups with an opportunity to take a more direct role in national policy discussions than has previously been the case. Their knowledge of local conditions and organizing skills were particularly useful to donor organizations, which were anxious to increase the role of INGOs in the process. ActionAid, Oxfam GB and Save the Children had the most direct impact on the process through the participatory poverty assessments that fed into the *Voices of the Poor* document. INGOs also took part in commune and provincial consultations, and in workshops organized by PTF.

Resource Allocation

Many of the objectives included in PRSPs are related to patterns of public expenditure. However, the CPRGS does not provide detailed information on spending priorities, and some of the figures provided are internally inconsistent. Evidence to date suggests that the CPRGS has not had a substantial impact on fiscal policy or priorities. The Public Investment Programme (PIP), which was approved seven months after the CPRGS, and prepared by the same department in MPI, does not reflect CPRGS priorities. The PIP refers to the CPRGS in a section on the role of ODA, which suggests that GVN views the CPRGS as an exercise in aid co-ordination.

Looking to the future, the long-term success of the PRS process depends largely on better budgeting and control over public resources. Some progress has already been made independent from the PRS process: for example, budget information is now more freely available, and a debate has been initiated regarding the appropriate use of public investment. This would have been unthinkable just five years ago. Patient co-operation and capacity building are needed to build on these gains. Items at the top of the planning agenda include integration of the capital and recurrent budgets, routine (as opposed to ad-hoc) use of the medium term expenditure framework, improved state audit capabilities, greater transparency and the gradual elimination of off-budget accounts.

Levers for Change

Policymaking in Vietnam is driven by two overriding objectives: political stability and rapid economic growth. These objectives, although often complementary, at time pull in opposite directions. Finding the appropriate balance between stability and growth is the central problem of contemporary Vietnamese political economy, and is likely to remain so for the foreseeable future. The existing national planning system is highly centralized and places a heavy emphasis on intra-party consensus, characteristics that are conducive to stability, solidarity and orderly political succession. The SEDS system is less conducive to accountability, openness and the rationalization of resource allocation.
The CPRGS has emerged as an important document for donors, but since it does not depart significantly from the SEDS the inconsistencies of the latter document were not directly addressed. Timing was a factor, as the CPRGS drafting process began after the completion of the SEDS and five year plan. The CPRGS could not rise above the status of ‘action plan’ assigned to it by the government, and as such did not succeed in assigning priority to specific policies or realign public investment decisions.

This is not to say, however, that the PRS process will have no impact on the national planning system. The principles underlying the process are sound and salient to the problems of national planning in Vietnam. Many valuable lessons were learned during the process of drafting the CPRGS, and these could inform future rounds of national planning. These lessons fall into three broad categories: participation, growth-poverty linkages and results orientation.

The impact of the PRS process will depend on the degree to which these lessons are ‘mainstreamed’ into future national planning exercises. Mainstreaming the PRS process implies a long-term process of capacity building and co-operation at the provincial, sectoral and central levels. Work with the central government should focus on resource allocation (fiscal reform and accountability) and capacity building within existing representative structures such as the National Assembly and mass organizations. Sectoral agencies such as line ministries need help in establishing links between sectoral plans and representative institutions at the central and local levels, and in building capacity in areas such as policy analysis, financial programming and monitoring and evaluation. The greatest challenges remain at the provincial level, particularly in the poorest provinces where existing capacity is weakest. Success at this level will require a long-term commitment to individual provinces in order to build trust, administrative capacity and the self-confidence necessary to devolve authority to nascent representative structures.

Conclusions and Policy Implications

Despite fifteen years of economic and political reform, the legacy of central planning is still apparent in Vietnam’s system of national planning. Improving the quality of national planning is thus vital to sustaining and accelerating the rate of economic growth and poverty reduction. The CPRGS should be viewed as a small contribution to the long-term process of change in Vietnam’s institutions of planning, representation and governance. The PRS process has introduced a number of innovations, including participatory poverty assessments and local consultations, explicit targets and formal monitoring and evaluation systems, government-donor-NGO fora to exchange information and intensify the policy dialogue and collaborative planning mechanisms at the central level.

The CPRGS is not the end of the process. Substantial scope exists for improving on the SEDS-based planning system. The CPRGS could have a long-term impact in three broad areas: participation, poverty-growth linkages and results orientation. Whether this is achieved depends largely on domestic political dynamics. Donors, lenders and INGOs can contribute through interventions to reinforce positive momentum for change.
1. Introduction

Poverty Reduction Strategy Papers (PRSP) have emerged as an important instrument of development planning and aid co-ordination in developing countries. PRSPs were originally introduced as a precondition for debt relief under the Heavily Indebted Poor Country (HIPC) initiative as a mechanism to ensure that reduced debt servicing payments would contribute directly to poverty alleviation. They were later adopted as a precondition for concessional financing from the World Bank and International Monetary Fund (IMF). A number of bilateral donors including DfID have worked to co-ordinate their own country strategies with PRSPs and have supported the formulation of poverty reduction strategies (PRS) in recipient countries.

Donors view PRSs as a useful framework within which they can integrate several complementary objectives. The World Bank and IMF have sought to promote approaches to development assistance that rely less on the forms of ex post conditionality common to Structural Adjustment Programmes (SAP) and to tailor aid programmes to the specific needs of individual developing countries. The World Bank now describes the aid relationship as one of ‘partnership’, stressing the importance of local ownership and public participation in the policymaking process. Participating donors also see PRSs as a mechanism that facilitates aid co-ordination and encourages recipient countries to assign a higher priority to poverty reduction.

More than eighty countries are currently involved in drafting or implementing PRSPs. Countries that are not eligible for HIPC debt relief, World Bank Poverty Reduction Support Credits (PRSC) or IMF Poverty Reduction and Growth Facility (PRGF) concessional financing have also been encouraged to draft PRSPs to strengthen national poverty reduction policies and to restructure development assistance programmes.

Yet PRSPs are not introduced into a policy or planning vacuum. This is particularly true in Asia, where many countries possess strong traditions of national development planning. These countries typically have some form of poverty reduction strategy in place before the initiation of the PRS process. The presence of an existing development strategy increases the risk that the PRSP will be viewed as an add-on to national plans, thereby reducing the policy impact of the process. Governments may perceive the PRSP as a device to access additional financing to fund anti-poverty programmes rather than as an integrated, comprehensive anti-poverty and growth strategy in its own right. A crucial issue in this context is the relationship between fiscal planning mechanisms and the PRS. To the extent that spending decisions conform to national planning documents rather than or at the expense of PRSP commitments, interventions prioritised in the PRSP may be under-funded or remain heavily dependent on donor financing.¹

Vietnam’s experience is particularly relevant to the issue of the relationship between PRSs and national development strategies. The country was the first in the Asia-

¹ Oxfam International, in its submission to the joint World Bank/IMF staff assessment of PRSPs, suggests that PRSPs have encouraged governments to spend more on social programmes but otherwise have left existing priorities intact. ‘PRSPs’, they conclude, ‘are increasingly being challenged at the national level as a continuation of existing economic policies, which an enlarged social safety net in the form of additional budget allocations for basic services’ (2001, 128).
Pacific region to submit a full PRSP to the World Bank board. Vietnam is also unique in that it was the only country to receive a World Bank PRSC on the basis of an interim PRSP (I-PRSP). The World Bank’s enthusiastic support for the process, and for Vietnam’s development potential, is also reflected in the acceleration of IDA commitments in recent years. Vietnam is now the Bank’s largest IDA-only borrower, and the trend is set to continue with the recent approval of a second Poverty Reduction Strategy Credit and the promise of another US$700 million in new project commitments over the coming year. DfID has championed the PRSP process from the early stages, providing financing for poverty analysis and poverty specialists seconded to the World Bank, for participatory poverty assessments and for the preparation of Vietnam Development Goals (VDGs) based on the Millennium Development Goals (MDG).

The Vietnamese case takes on particular relevance in light of the country’s achievements in reducing measured poverty during the reform or doi moi period. The national poverty incidence fell from 58 to 37 percent between the two large-scale Vietnam Living Standard Surveys (VLSS) conducted in 1992/93 and 1997/98. The government’s General Statistics Office (GSO) estimates that the corresponding figure for 2002 was 29.8 percent. This is an impressive performance by any standard. Yet the implications of past successes for the present poverty reduction strategy are not immediately obvious or uncontested. Most observers agree that it was not the presence of an anti-poverty strategy that brought about these gains, but rather the rapid pace of economic growth over the 1990s (Van Arkadie and Mallon 2003, 237). Vietnam’s experience thus underscores the importance of economic growth to poverty reduction in countries as poor as Vietnam remains today. It also suggests that targeted anti-poverty strategies should be mindful of the potentially negative impact of redirecting scarce resources from growth-promoting investments to redistributive expenditures to the extent that this would imply reduced returns to public investment.

The Government of Vietnam (GVN) remains committed to maximizing the rate of economic growth. In recognition of the vital role of growth in poverty reduction, GVN insisted that the final PRSP be given the title ‘Comprehensive Poverty Reduction and Growth Strategy’ (CPRGS). As the introduction of the CPRGS states:

Vietnam remains a poor country with low per capita income (per capita GDP is estimated at about US$400 in the year 2000) and the poverty rate is still high. The Government of Vietnam recognizes this problem and believes that a strategy focused on achieving high and sustainable growth is key to narrowing the economic development gap between Vietnam and other countries in the region and the world, while at the same time generating sufficient resources to raise the welfare and living standards of the people, as well as reduce poverty and create social equity (SRV 2002, 2).

The challenge facing GVN and the donors therefore contrasts sharply with that of many poor countries now engaged in the PRS process, in that the main task for the future is not to initiate poverty-reducing growth but rather to ensure that the benefits of already robust growth continue to reach the poor. Moreover, Vietnam, unlike some PRSP coun-

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2 Cambodia submitted an interim PRSP (I-PRSP) three months before Vietnam in January 2001, but the presentation of Cambodia’s full PRSP was delayed until February 2003.
tries, is neither heavily indebted or particularly aid dependent. Nevertheless, the Vietnamese case is relevant to these other countries to the extent that lessons can be learned from Vietnam’s spectacular success in reducing measured poverty, promoting economic growth and maintaining macroeconomic stability.

Vietnam’s experience is also relevant to the present study because of the country’s long tradition of development planning. Although doi moi represents a concerted move away from central planning and towards market-based modes of decision making, the legacy of central planning remains apparent in current policymaking processes. Although the inclination to rely on command and control at times results in counterproductive interventions, the experience of planning has also had some positive effects. Vietnamese officials at all levels are accustomed to presenting policies within the framework of long-term development objectives, and outcomes are routinely assessed against targets (Van Arkadie and Mallon 2003, 65). While the realism of targets and reliability of performance indicators are often open to question, the practice of development strategizing is a familiar one within government circles. Moreover, consensus building—at least within the party and state apparatus—is a widely recognized feature of Vietnamese policymaking, and one that is relevant to the PRS process proposed by the donors. Although public participation as understood by donor organizations and international non-governmental organizations (INGO) was not a characteristic usually associated with central planning, collective leadership and ‘opinion seeking’—in part to reduce the political risks associated with decision-making—is a common feature of Vietnamese planning (Ibid., 59).

The present country study compares the poverty reduction strategies contained within national plans, the CPRGS and sectoral strategies, and considers the policy implications of the relationship between these documents. We will not review the PRS process itself in Vietnam as an extensive literature already exists on this topic (see Wolff et al. 2001; Conway 2003, WB, Norlund et al. 2003; Shanks and Turk 2003). Instead, we will focus our attention on national plans and CPRGS in the context of the objectives of the PRS process, and consider the extent to which the CPRGS, as an action plan of the ten and five-year national plans, is likely to fulfil these objectives.

The study consists of four substantive sections. We first briefly describe the institutional and historical context of national planning and the PRS process in Vietnam. Section 3 consists of a detailed comparison of the two documents structured around the six criteria often used to assess national poverty reduction strategies. The following section explores the impact of the PRS process on national planning from the perspective of the government, donors and representatives of civil society organizations. Here we will address the important question of the likely impact of the CPRGS on resource allocation and future planning exercises. The final section concludes and suggests policy implications.

2. Institutional and Historical Context

This section briefly describes the economic and political context of planning and poverty reduction strategies in Vietnam. We do not attempt to provide a comprehensive overview, but instead highlight several strategically important issues relevant to the planning system and related processes of economic and political reform. We focus specifically

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3 Vietnam’s debt to GDP ratio in 2002 was 38 percent, and debt servicing was only 5.9 percent of exports. ODA flows currently amount to approximately 6% of GDP.
on the changing role of planning in the economy, key economic and political concerns emerging from the reform process and the status of poverty alleviation programmes within these plans.

The section begins with an historical overview of the planning process. We then set out the macro-economic and political context, emphasizing sources of economic growth, potential threats to macroeconomic stability and the changing nature of the political process in Vietnam. Setting the scene for the analysis contained in the following sections, we introduce the main instruments of economic planning: the ten year Socio-Economic Development Strategy (SEDS); the five-year plan derived from the SEDS; and the CPRGS.

2.1 Historical Overview

Vietnam has a long history of planning. The Democratic Republic of Vietnam’s first five-year plan was prepared for the period 1960-1965. The second five-year plan covered the period immediately after reunification (1976-1980). Plans have been instituted without interruption at five year intervals since 1976. The first ten-year Socio-Economic Development Strategy (SEDS) was approved by the 1991 party congress for the period 1991 to 2000. The current SEDS is therefore the second ten-year planning document. In addition, some line ministries have produced long-term strategic documents, for example the ‘Vision 2020’ plan drafted by the Ministry of Science, Technology and Environment.

During the period of central planning, one plan was established for the entire country containing output targets for all sectors and regions. The plans were comprehensive, including detailed information on financing, the allocation of physical materials and trade volumes. During the reform period the function of national plans has changed dramatically in line with the demands of a mixed economy. Plans are now indicative in nature, setting out directions for the economy and a limited number of specific objectives. The government has also decentralized fiscal planning, assigning a greater role to provinces. At present, the central government sets targets for total revenues and expenditures, and approves large investment projects (classified as Group A) along with other special projects. The increasing importance of the private sector, including foreign firms, has also changed the nature of planning. Investment planning must now rely on incentives and the general policy framework rather than command and control.

The SEDS and five-year plans typically present an analysis of economic and social trends. Indicators used include GDP growth rates disaggregated by sector, employment generation, trade, educational attainment and other welfare measures. Problems encountered in the previous period are also analyzed, and weaknesses in implementation and policy focus are addressed. The documents also refer to the international context and domestic challenges likely to emerge during the plan period.

The SEDS sets out two types of goals. Overall goals specify the party’s vision of the country at the end of the ten-year cycle and beyond. For example, the stated goal of the 2001-2010 SEDS is that Vietnam should be a modern, industrialised country by 2020. The focus of the 1991-2000 strategy was economic stabilisation in light of external shocks caused by the collapse of the former Soviet Union and the eastern bloc. The overall goal is subsequently elaborated into specific goals covering key sectors. SEDS goals represent a mixture of end-results directly linked to welfare and targets relating to instruments to achieve these end-results. Specific goals include macroeconomic stability and export
growth, while an example of instrumental targets would be the development of market institutions. The documents do not incorporate standard planning tools such as policy matrices, monitorable indicators and the delineation of evaluation methods. The SEDS and five-year plans could therefore be more accurately described as policy framework documents rather than plans per se.

2.2 Macro-economic Context

Vietnam has successfully managed the transition from central planning to a mixed economy. This is an impressive achievement, especially in view of the country’s lack of access to substantial flows of external assistance during the crucial early stages of the process. Since the late 1980s, Vietnam has moved from food deficit to surplus, succeeded in penetrating a wide range of export markets for agricultural products and manufactured goods, restored price stability and increased the share of savings and investment in national income. Living standards for the vast majority of Vietnamese have improved dramatically, and the government, largely on its own initiative, has dedicated an increasing share of public expenditure to poverty reduction and social welfare. Vietnam successfully implemented a wide-ranging and impressively egalitarian land reform. Few low-income countries can match these important achievements.

Table 1 presents key macroeconomic indicators for the reform period. Growth of national income accelerated until the onset of the East Asian financial crisis, and moderated thereafter. However, Vietnam’s closed capital account and low levels of private sector foreign debt protected the economy from the worst effects of the crisis. Vietnam is now the second fastest-growing economy in Asia after China. Gross domestic product expanded at a rate of 6 percent in 2002, boosted by an 11 percent increase in industrial output. Considering the continued economic slump in North America, Europe and Vietnam’s main Asian trading partners, this represents a considerable achievement.

The sectoral distribution of output has changed rapidly over the period, with the share of agriculture in GDP declining from 40 percent at the beginning of the doi moi period to 24 percent in 2001. The relative shares of manufacturing and services have increased sharply. The structure of ownership has not changed significantly owing to the continued dominance of the state sector in industry. Although the number of domestic private firms has increased rapidly since the introduction of the Enterprise Law in 2000, most private companies are small, with the result that the domestic private sector still accounts for less than 10 percent of industrial output. Moreover, the most successful private companies retain links with the state, for example inviting state companies in as minority shareholders or the direct involvement of state and party officials and their family members. Gainsborough, in his research in Ho Chi Minh City in the late 1990s, counted only five private firms among the top 100 companies in the city, and even these had some form of state involvement (2002, 700).

Vietnam has generally pursued conservative fiscal and monetary policies. Prices and exchange rates are stable, creating a favourable environment for savings and investment. National savings grew steadily over the period and reached 27.3 percent of GDP in 2001. Foreign direct investment has recovered but remains below pre-crisis levels. Despite often-expressed concerns about levels of red tape and corruption, Vietnam is second only to China as a destination for foreign investment. Inward investment from Asian partners accounts for 64 percent of FDI. Overseas Vietnamese are another important source of investment capital, with remittances exceeding US$ 2 billion per year in recent years. Re-
mittances have made an important contribution to the nation’s external balance. Debt servicing has also remained at manageable levels.

Table 1. Selected Macroeconomic Indicators for Vietnam, 1986-2001

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<tbody>
<tr>
<td>Real GDP (constant 1994 prices)</td>
<td>4.4</td>
<td>6.5</td>
<td>9.0</td>
<td>5.1</td>
<td>4.7</td>
</tr>
<tr>
<td>Per capita real GDP</td>
<td>2.0</td>
<td>4.8</td>
<td>7.3</td>
<td>4.1</td>
<td>0.5</td>
</tr>
<tr>
<td>Consumer price index</td>
<td>365.3</td>
<td>38.9</td>
<td>8.8</td>
<td>2.9</td>
<td></td>
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<tr>
<td>as a share of GDP (current prices, %)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>GDP by sector:</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Agriculture</td>
<td>40</td>
<td>36</td>
<td>27</td>
<td>26&lt;sup&gt;a&lt;/sup&gt;</td>
<td>24</td>
</tr>
<tr>
<td>Industry and construction</td>
<td>33</td>
<td>26</td>
<td>30</td>
<td>34&lt;sup&gt;b&lt;/sup&gt;</td>
<td>38</td>
</tr>
<tr>
<td>Services</td>
<td>27</td>
<td>38</td>
<td>43</td>
<td>41&lt;sup&gt;b&lt;/sup&gt;</td>
<td>38</td>
</tr>
<tr>
<td>GDP by ownership</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>State</td>
<td>36</td>
<td>35</td>
<td>40</td>
<td>40&lt;sup&gt;a&lt;/sup&gt;</td>
<td>39</td>
</tr>
<tr>
<td>Non-state</td>
<td>64</td>
<td>65</td>
<td>60</td>
<td>60&lt;sup&gt;a&lt;/sup&gt;</td>
<td>61</td>
</tr>
<tr>
<td>Gross investment</td>
<td>8.4</td>
<td>16.4</td>
<td>27.3</td>
<td>25.1</td>
<td></td>
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<tr>
<td>State budget</td>
<td>3.8</td>
<td>n.a.</td>
<td>5.7&lt;sup&gt;b&lt;/sup&gt;</td>
<td>5.6</td>
<td></td>
</tr>
<tr>
<td>Public enterprises</td>
<td>2.4</td>
<td>n.a.</td>
<td>7.0&lt;sup&gt;b&lt;/sup&gt;</td>
<td>8.9</td>
<td></td>
</tr>
<tr>
<td>Other domestic</td>
<td>2.0</td>
<td>n.a.</td>
<td>6.3&lt;sup&gt;b&lt;/sup&gt;</td>
<td>5.5</td>
<td></td>
</tr>
<tr>
<td>Foreign</td>
<td>0.5&lt;sup&gt;c&lt;/sup&gt;</td>
<td>n.a.</td>
<td>8.1&lt;sup&gt;b&lt;/sup&gt;</td>
<td>5.1</td>
<td></td>
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<tr>
<td>National savings</td>
<td>-1.4</td>
<td>11.3</td>
<td>16.5</td>
<td>24.0</td>
<td>27.3</td>
</tr>
<tr>
<td>Government deficit</td>
<td>5.9</td>
<td>4.9</td>
<td>0.8</td>
<td>1.7</td>
<td>2.9</td>
</tr>
<tr>
<td>Current account balances</td>
<td>-9.8</td>
<td>-5.1</td>
<td>-10.8</td>
<td>-1.1</td>
<td>1.6</td>
</tr>
<tr>
<td>External debt&lt;sup&gt;d&lt;/sup&gt;</td>
<td>329</td>
<td>187</td>
<td>85</td>
<td>87</td>
<td>43</td>
</tr>
</tbody>
</table>

Notes: a. for the period 1998-99 only  
   b. For the period 1996-97 only  
   c. For the year 1988 only  
   d. Total outstanding external debt at the end of each sub-period.

Source: GSO (various) and McCarty and Tran Thi Ngoc Diep 2003.

Economic growth in Vietnam during the reform period has been driven by exports. Export growth averaged a remarkable 19 percent per annum during the 1990s. Although growth of exports has slowed in recent years, prospects remain favourable. An important recent development is is the US-Vietnam Bilateral Trade Agreement signed in July 2000. Vietnamese exports to the US increased by 28 percent in 2001 and a stunning 128 percent in 2002 to reach US$2.39 billion. Vietnam is also committed to ASEAN Free Trade Agreement (AFTA) integration in 2005, and has set a target of 2005 for accession to WTO.

As Vietnam is not yet a WTO member and therefore cannot access the organization’s dispute settlement mechanisms, the country is vulnerable to ad-hoc trade barriers. The recent catfish dispute with the US is a well-known example, and was cited by the Secretary General of the United Nations on the eve of the recent WTO Cancun Ministerial Meeting. Mekong Delta fish farmers quickly acquired a 20 percent share of the US catfish market, prompting charges of unfair trading practices by the Catfish Farmers of America.
(CFA). A US government attempt in mid-2002 to reduce trade volumes by prohibiting Vietnamese producers from marketing their product as catfish in the US did little to contain demand. The CFA’s next move was to urge the US government to use anti-dumping legislation to impose tariffs on the grounds that Vietnam is a non-market economy and therefore local costs are not a reliable indicator of the true cost of production. The case is interesting in that it both demonstrates Vietnam’s remarkable capacity to penetrate export markets, and the vulnerability of these markets in the absence of a reliable mechanism of dispute settlement.

WTO accession would also reduce the scope for GVN to impose similarly ad-hoc restrictions on imports. For example, Vietnam unilaterally reduced import quotas on Japanese motorcycle parts at the end of 2000, forcing a temporary shutdown of domestic Honda and Yamaha production.

WTO accession is therefore considered by many domestic observers as a means to achieve greater market access abroad while encouraging economic policy discipline at home. The prospect of WTO membership has forced the leadership to accelerate domestic reforms. The most important, and politically difficult task for the government, is to create a level playing field for state-owned enterprises and private firms within the context of the country’s self-avowed socialist-market economy. Deputy Prime Minister Nguyen Tan Dung has recently reaffirmed the government’s intention to achieve this goal and to limit the public sector to key industries. Party and government rhetoric has begun to emphasize the contribution of private business to economic development and nation-building. However, the Party did not follow China in admitting entrepreneurs as members, prompting speculation that ideological differences are not yet resolved among Party leaders (Abrami 2003, 96).

Rapid economic growth has contributed substantially to poverty reduction in Vietnam. According to GSO, the population below the poverty line fell from 55 percent in 1993 to 37 percent in 1998. Recent estimates put the figure at 29 percent. The egalitarian distribution of farmland to households in the early 1990s stimulated agricultural production and in itself represented a massive redistribution of wealth that opened up new income-earning opportunities for millions of rural dwellers. Opportunities for wage employment, trade and provision of other services associated with broad-based economic growth have boosted the incomes of the poor, especially in urban areas.

Non-income indicators of household welfare have also improved. Primary school enrolment rates, which were high for both girls and boys, rose from 87 to 91 percent for girls, and from 86 to 92 for boys. Lower secondary enrolment rates doubled for both girls and boys, to 61 and 62 percent, respectively. Malnutrition among children below the age of five remains high relative to other child health indicators, but declined dramatically from about half the population to a third (World Bank 1999).

However, the reduction in measured poverty varies substantially across regions. Below, we list regions recorded rates of poverty reduction for the period 1993 to 1998, with the decline in poverty measured in percentage points, and the poverty incidence in parenthesis (World Bank 1999, p. 14):

1. Red River Delta, 34 (63 to 29%)
2. North Central, 27 (75 to 48%);
3. South East, 25 (33 to 8%);
4. North Uplands, 20 (79 to 59%);
5. Central Highlands, 18 (70 to 52%);
6. Central Coast, 15 (50 to 35%); and
7. Mekong River Delta, 10 (47 to 37%)

The change in measured poverty has also varied across ethnic groups. Poverty fell from 54 to 31 percent for the Kinh majority, but by much less among ethnic minorities (World Bank 1999, p. 30). As a result of these trends, poverty is now heavily concentrated in three regions: the Northern Uplands (28 percent); the Mekong Delta (21 percent); and the North Central Coast (18 percent). The recent unofficial figures from the 2002 round of the VHLSS provided by GSO indicate that poverty remains high among ethnic minority groups, but has continued to fall for the Kinh ethnic majority.

2.3 Political Context

Vietnam is ruled by a one-party state. The Communist Party’s monopoly on power is codified in the 1992 constitution and remains the dominant factor in Vietnamese politics. Party cells operate in parallel with state agencies at all levels, and approval of the party is required for even relatively mundane decisions of government. The party vets all candidates for the National Assembly through the Fatherland Front, and 447 of the 498 sitting legislators are party members. The top leadership consists of a triumvirate consisting of the president, who is elected by the National Assembly, a prime minister nominated by the president and approved by the National Assembly, and the general secretary of the Communist Party.

Alongside economic growth, maintaining political stability is an overriding objective of the Vietnamese government. All policy initiatives, including the country’s poverty alleviation strategy, are to some extent reflect this fundamental concern. Poverty reduction programmes targeting isolated and extremely poor regions are partly intended to stem the rise of dissent in locations that have not benefited from rapid economic growth over the past 15 years, particularly those regions populated by ethnic minorities. The political system is designed to promote stability and contain political competition, both from within and outside of the party. Collective leadership and consensus building is emphasized at all levels, including the highest levels of government. The processes of negotiation and compromise within and between the various agencies of government are opaque to outsiders and to functionaries at lower levels of government. In practice the system has positive and negative features. On the plus side, once a consensus has been enunciated government officials can be expected to support it, at least publicly. Vietnam has also managed the process of political succession, including the replacement of the ruling triumvirate at regular intervals, with few outward signs of conflict. The main drawback of the system is the lack of transparency, and therefore accountability, in the decision-making process. Moreover, the consensual style of decision-making often produces conflicting outcomes, in which different interests are reconciled by makeshift compromises that do not generate clear decisions. Financial sector reform is a prime example of this tendency. The desire to satisfy everyone also makes it difficult to set clear priorities, with the result that numerous objectives are specified with no attempt to assign precedence to any single problem or set of key objectives. As discussed below, both the national plans and the PRSP consist of long lists of desired outcomes, some of which are internally inconsistent. Very little effort has
been made to give priority to policies, projects or programmes of immediate relevance to either growth or poverty alleviation.

Although policymaking is in some respects highly centralized, local government retains a considerable degree of autonomy with regards to public investment and the implementation of government policies. The decentralization process has intensified over the past couple of years. However decentralization is not a new phenomenon. It is in part a legacy of the long independence struggle, during which it was virtually impossible to establish direct central control, leaving considerable space for local decision-making. The sub-national government consists of 61 provinces governed by an executive arm (People’s Committees) and a legislative branch (People’s Councils). Below the provincial level, the local government hierarchy is comprised of districts and communes, each with their own People’s Committees and People’s Councils. These secondary and tertiary levels of government have less control over spending decisions and in general are weak both in terms of capacity and influence relative to provincial authorities. A distinction should also be drawn between wealthier provinces, which have sufficient resources to exercise discretion in terms of spending and programming, and poorer provinces that have little access to revenue outside the central government budget.

The political system is not static. Some observers detect a gradual retreat of the party from direct control over the day-to-day operations of the government and the increasing importance of laws and formal regulations relative to ad-hoc decisions. These authors point to the increasing importance of the National Assembly in the process of consultation and in monitoring the performance of government (see, for example, Dang Phong and Beresford 1998). The Grassroots Democracy decree issued in May 1998 is an important example of change. Initially produced in response to peasant dissatisfaction in Thai Binh province in 1997 and 1998, the decree provides mechanisms for greater control of government budgets at the village level and calls for more transparency in spending and decision-making at the local level. Indeed, one of the greatest strengths of the system has been its capacity to respond to dissatisfaction, particularly at the local level, and to generalize reform measures in a gradual way based on local experiences (Gainsborough 2002).

The Vietnamese government is in some respects a strong state, for example in its capacity to suppress dissent and control the public discourse. However, in other contexts the state is weak. The capacity of higher-level institutions to impose their will on lower levels of the bureaucracy is often limited (Gainsborough 2002, 703). Corruption also remains a serious problem. Most of the international rankings place Vietnam second only to Indonesia as the most corrupt country in the Asian region. Although these rankings are largely based on subjective surveys (and are therefore prone to large fluctuations depending on shifts in business sentiment), the perception that corruption is systemic rather than episodic in Vietnam is widely shared among domestic and foreign observers. This view was confirmed by the spectacular Nam Cam affair, which resulted in 180 indictments including a number of high-ranking party and police officials.4

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4 The scandal was sparked by the release from prison of crime boss Truong Van Cam (alias Nam Cam) and his apparent influence over a large swath of officials both in Ho Chi Minh City and the central leadership in Hanoi. Those charged in the affair included two central committee members, deputy minister of public security Lieutenant General Bui Quoc Huy and Voice of Vietnam director Tran Mai Hanh, as well as a number of high-ranking police officials in Ho Chi Minh City and some lesser party notables (Abrami 2003, 8).
2.4 Ten Year Socio-Economic Development Strategy and the Five Year Plan

Economic planning and the implementation of plans in Vietnam are complex and often opaque processes. Official planning documents are long on general statements of principle and recitation of past successes, and short on detail and concrete commitments. The style of the documents reflects the political heritage of Communist Party rule, as well as the need to allow sufficient scope for the party to reconcile its ideological commitment with the profound economic and social change of the past fifteen years.

The government is responsible for drafting five year plans and long term development strategies for approval by the party and National Assembly. Detailed national expenditure plans are also submitted to the National Assembly, which in recent years has begun to play an increasingly active role in redrafting legislation and monitoring the performance of the government (Van Arkadie and Mallon 2003, 58). The ten-year SEDS is the main long-term planning document used to guide the development of the entire economy. The strategy document includes (i) analysis of the current status of the economy; (ii) strategic goals, as well as specifying development approaches to achieve these objectives; (iii) sectoral and regional development orientations based on the set objectives and approaches; (iv) major instruments to achieve objectives, including establishing and improving institutions of the socialist-oriented market economy, education and training, science and technology, cultural and social development, and the organisation of the implementation strategy. The five-year plan is formulated along the same lines, and reiterates the contents of the ten-year strategy. However, it attempts to set more concrete and disaggregated targets based on forecasts and assumptions concerning domestic and international conditions.

The drafting process of the ten-year SEDS and five-year plan reflects the tradition of devising objectives and strategies on the basis of consensus. The documents were presented to the Ninth Party Congress in April 2001. Preparations for the congress began as early as 1998. Over the intervening period, the SEDS drafting committee canvassed opinion from various levels of the party and government apparatus from the centre down to local party cells. Line ministries prepared sectoral five and ten-year strategies, including the five and ten-year Hunger Eradication and Poverty Reduction (HEPR) strategies produced by the Ministry of Labour, Invalids and Social Affairs (MOLISA). This agency retains responsibility for targeted anti-poverty programmes. Other sectoral plans include the Strategy for People’s Health Care and Protection; the National Strategy for Rural Clean Water Supply and Sanitation; the National Strategy for Reproductive Health Care; the Population Strategy for Vietnam; the National Strategy for Nutrition; the National Action Program for Vietnamese Children; the Overall Program for Public Administrative Reform; the National Strategy for the Advancement of Vietnamese Woman until 2010; the National Targeted Poverty Reduction and Job Creation Programme; the Prime-Minister’s decisions on socio-economic development in the Central Highlands, the Northern Uplands and Mekong River Delta. The National Assembly effectively finalized the process by approving the five-year plan and ten-year strategy in December 2001.

Planning in Vietnam is led by two agencies: the Ministry of Planning and Investment (MPI) and the Ministry of Finance (MOF). The former is responsible for consolidation and allocation of capital expenditures while the latter has similar responsibilities with regards to recurrent expenditures. These two central agencies actively interact with line ministries and provinces to determine the level and structure of public spending. Unlike
other large countries in the region (for example India and Indonesia), the planning ministry has greater influence on fiscal policy than the finance ministry.

In relation to capital investment, MPI first provides indicative figures for sectors and provinces based on the SEDS and the five-year plan. Sectors and provinces then make investment proposals based on their perceptions of priority areas, as well as their assessment of the investment requirements of on-going (incomplete) projects. These proposals, presented as lists of proposed investment projects and estimated costs, come back to MPI, which consolidates the proposals into a draft Public Investment Plan (PIP) taking the budget constraint into account. The PIP goes through numerous iterations with many agencies involved in negotiations on investment priorities (i.e. how total funds are divided up among proposals) before the document is finalised and approved by the prime minister.

Investment projects are classified into three groups (A, B and C), which differ from each other in terms of funding requirements, and consequently, in terms of the relevant decision-making authority. Large and strategic projects belong to group A. The prime minister decides the fate of these projects, or authorises ministers or chairmen of city or provincial people’s committees to decide for him. Decisions on group B and C projects are made by ministers, heads of ministry-equivalent agencies and government agencies or chairmen of city or provincial people’s committees. Ministers can authorise the heads of general offices or state bureaus that belong to ministries to make investment decisions for projects in group C. Chairmen of district and commune people’s committees control investments financed by local authorities or block grants to localities.

The bargaining process between MPI and line ministries and provinces starts with the setting of priorities for the five-year plan. It is still the case that concrete production targets are set in physical units for some ‘strategic sectors’, including goods produced by the private sector. These targets are important since they shape investment decisions. Regions and sectoral agencies therefore negotiate with MPI to increase targets relevant to their region or sector. For example, the 2001-2005 five-year plan sets targets measured in physical units for domestic production for a range of goods such as paper, raw cotton, textiles, shoes and electrical equipment. Production capacity targets have been established for steel and cement. Local content targets have been set for motorcycles and automobiles. Once these targets appear in the five year plan, capital is allocated in the PIP to achieve them.

MOF determines the overall level of recurrent spending for each sector and province, as well as a range of norms (wherever possible) that are used to determine volumes. In practice, the role of line ministries is quite limited in determining the sectoral breakdown of recurrent expenditure, as provinces are free to make their own spending decisions across sectors within the given aggregate recurrent budgets (subject to a specified minimum spending on education and science and technology).

This summary of current planning mechanisms suggests a number of obvious shortcomings in the system. First, the central planning mentality remains strong, resulting in inefficient allocation of public investment. Prevailing incentives encourage public enterprises, ministries and localities to push for capital allocations to state firms, even when the relevant firms are inefficient or loss-making. Second, line ministries do not properly link spending to targets or objectives. Performance-based budgeting does not exist even in a limited sense, though some rudimentary attempts have been made in a few ministries (World Bank 2001b, pp. 72-73). Third, the sectoral ministries have limited access in practice to actual expenditures and outcomes in their sectors, particularly where service deliv-
ery is the responsibility of provincial authorities and allocation is the responsibility of MOF. Fourth, the link between capital and recurrent expenditures is generally weak, resulting in inefficient use of completed investment projects due to inadequately budgeted and allocated operating and maintenance funds. However, in 2001, MPI began to assess to some extent the recurrent cost implications of the current PIP, and is keen to build requirements for recurrent cost analysis into project proposals, starting first with irrigation, road and bridge building projects (World Bank 2001b, p. 74). Fifth, although poverty reduction is part of the ten-year SEDS and the five-year plan, the link between economic growth and poverty reduction is generally weak in these documents, and the targeted programmes approach dominates.

2.5 The I-PRSP and CPRGS

The Government of Vietnam approved the Comprehensive Poverty Reduction and Growth Strategy (CPRGS) in May 2002. In the following July, the document was officially presented to the board of the World Bank as the Poverty Reduction Strategy Paper (PRSP). The choice of title for the document reflects the government’s emphasis on maintaining rapid economic growth as the primary means to achieve poverty reduction.

Although the PRSP process ran concurrently with the drafting of the SEDS, the two planning mechanisms diverged before either process could be completed. Vietnam was chosen as a pilot country for the World Bank’s Comprehensive Development Framework (CDF) in 1999. As part of the new CDF style, the Bank proposed a government-donor-NGO ‘Poverty Working Group’ (PWG)—one of many such groups set up at the time—to improve the flow of information among the various agencies involved in poverty reduction efforts.5 Reflecting the spirit of the CDF, the PWG was assigned responsibility for producing a poverty assessment entitled Attacking Poverty for presentation at the December 1999 Consultative Group meeting. The PWG and the Poverty Task Force—a subset of the PWG—analyzed data from the second round of the Vietnam Living Standards Survey (VLSS) and conducted Participatory Poverty Assessments (PPA) in four provinces as inputs into this report (World Bank 1999).

Following the publication of Attacking Poverty, MOLISA began work on the ten-year (HEPR) Strategy with assistance from the PWG. MOLISA presented a draft HEPR strategy in March 2000, but in April the government asked MPI to take the lead in producing an interim PRSP (I-PRSP), a document required by the World Bank and IMF in preparation for a adjustment loans under the IMF’s Poverty Reduction and Growth Facility and World Bank’s Poverty Reduction Support Credit programme. In support of this process, DFID financed a three-day workshop held in July in Sapa, which was attended by 85 participants representing various government ministries, donors and NGOs. The I-PRSP was then drafted by a team of local experts with assistance from the WB, IMF, UNDP and FAO. After the I-PRSP was completed and approved, responsibility for the CPRGS was

5 Other partnership groups were set up to address gender strategy, the environment, civil society and community participation, education, health, food security, forestry, fisheries, transport, energy, the urban sector, the role of the private sector, and reform of state-owned enterprises, banking, trade, small and medium scale enterprises, public administration and the legal system.
assigned to an inter-ministerial committee headed by the MPI. Technical support and policy advice was provided by the PTF.

MOLISA presented the draft HEPR 2001-1010 and a draft of a five year HEPR strategy document in October 2000 at a meeting of the PWG hosted by the ADB Resident Mission in Vietnam. At the same meeting MPI presented the first draft of its I-PRSP. Participants flagged the issue of complementarities between the HEPR and I-PRSP and called for better coordination between MPI and MOLISA. Both the HEPR and the I-PRSP were presented at the Consultative Group (CG) meeting in December 2000. The donor community pledged to support the development of the I-PRSP into a full PRSP through the forum of the PWG.

At the March 2001 meeting of the PWG, MOLISA presented an update on the status of the HEPR. Participants at the meeting again stressed the desirability of integrating the HEPR and I-PRSP. Although the documents departed from similar basic principles, integration of the two planning streams was needed to facilitate implementation and aid co-ordination. At the same meeting, the government committed itself to integrating the MDGs into the PRSP process.

The government approved the I-PRSP shortly after the March meeting of the PWG. The document was presented formally to the boards of the IMF and World Bank in April and May 2001, respectively. From May to September 2001, the PWG carried out analytical work to elaborate Vietnam Development Goals (VDGs). Eight thematic papers on VDGs were ultimately produced, and these were discussed at a PWG meeting in September 2001 in Haiphong. More than 100 participants attended the meeting.

At this time, MPI requested assistance from PTF to carry out community level consultations on the CPRGS. These consultations were held in December 2001, and reports finalized in January 2002. MPI decided to return to the original four PPA locations and to add two sites in order to cover a more diverse range of conditions and to better understand the situation in one crucial region, the Mekong Delta. Six lead agencies were selected based on experience in and familiarity with each region:

- Ho Chi Minh City (Save the Children, UK)
- Ha Tinh province (ActionAid)
- Tra Vinh province (Oxfam GB)
- Lao Cai province (World Bank)
- Quang Tri province (Plan International)
- Vinh Long province (Catholic Relief Services)

Many of the researchers involved, including those from local government agencies, had participated in the PPAs in each region. Before it was officially approved by the government and submitted to the CG, the final CPRGS was presented at four national and four regional consultation workshops from January to May 2002.

The government views the CPRGS as an ‘action plan’ of the SEDS and five-year plan. This point is made in the introduction to the CPRGS itself, which states that:

The Comprehensive Poverty Reduction and Growth Strategy (CPRGS) is an action plan that translates the Government’s Ten-year Socio-economic Development Strategy, Five-year Socio-economic Development Plan as well as the other sectoral
development plan into concrete measures with well-defined road maps for implemen-
tation. This is an action plan for realizing economic growth and poverty reduc-
tion objectives’ (SRV 2002, 2).

Because the CPRGS is seen as an ‘action plan’ for the implementation of the SEDS it was
not submitted to the party congress or legislature, but instead was signed by the prime
minister as an executive order. This suggests that the SEDS takes priority over both the
sectoral plans and CPRGS. GVN’s view of the link between the CPRGS and various na-
tional plans is presented in Figure 1. The figure is somewhat misleading in that it suggests
that the status of the CPRGS is similar to that of the five-year plan. However, since the
latter was approved by both the party congress and National Assembly, this is not strictly
correct.

Figure 1. CPRGS in the National Planning System

The years 1998 to 2002 therefore saw a flurry of planning activity on the part of
the government, the Communist Party and the donors inspired by the confluence of the
Ninth Party Congress and the CDF. While the government and party began preparations
for the congress, the World Bank produced its first Country Assistance Strategy (CAS) for
Vietnam covering the years 1999-2002 (World Bank 1998). Line ministries produced sec-
toral strategies including the five and ten-year HEPR strategies. Meanwhile, MPI, with
support from PTF, drafted the I-PRSP and CPRGS, and incorporated the sectoral docu-
ments into the ten-year SEDS and five-year plan. The World Bank produced a new CAS
in August 2002 to cover the years 2003-2006. Finally, MPI also produced the Public In-
vestment Programme for 2001 to 2005 based on this work in December 2002.
3. Poverty Reduction in the SEDS and CPRGS

Unlike many countries in which PRSPs have been introduced, the issue of poverty was already high on the agenda of Vietnamese policymakers before the PRS process was initiated. Donors and government are in broad agreement that economic growth is the main factor in reducing the incidence and depths of poverty in Vietnam. The dramatic reduction in measured poverty documented in successive rounds of the VLSS is seen as evidence of the overriding importance of growth to poverty alleviation. However, both the government and donors have expressed concerns about the uneven geographic and ethnic distribution of gains from the reform process. GVN’s targeted poverty reduction programmes, which were launched in 1996 and consolidated in 1998, are an attempt to address the increase in regional inequality. The issue in Vietnam, therefore, was less a question of establishing the importance of poverty reduction than developing appropriate mechanisms to address the issue and to mainstream poverty reduction strategies within the government’s broader development framework.

The literature on PRSPs and poverty reduction specifies six core principles that should guide poverty reduction strategies.⁶ According to these documents, PRSs should be:

- **Participatory**, in that all relevant stakeholders, including the poor themselves, are represented in the formulation of the strategy and its implementation;

- **Country-driven** or owned by domestic policymakers and representing a national consensus shared by central and local government on the appropriate actions required for poverty reduction;

- **Based on partnerships** between the government, donors and civil society to ensure co-ordination in the preparation of the strategy and its implementation;

- **Results oriented**, with targets for poverty reduction that are tangible and readily monitored, and clearly delineated mechanisms for monitoring and evaluation;

- **Comprehensive** and long-term, addressing the multidimensional nature of poverty by integrating macroeconomic, structural, sectoral, social elements and capacity building;

- **Prioritized** in terms of policy objectives and resource allocation to facilitate implementation and maximize impact.

This section reviews the SEDS, five-year plan and CPRGS in light of these principles, which provide a useful framework within which we can compare the documents and highlight important differences among them. A common theme that emerges from the discussion is that the PRS process is most usefully viewed as a long-term process of institutional change. While the CPRGS has brought about some immediate gains, the real impact of the process will depend on the extent to which improved practices are carried over into the implementation of the programme and future planning exercises.

⁶ See, in particular, the World Bank’s Poverty Reduction Strategy Sourcebook (2001a).
3.1 Broad-Based Participation

The formulation of the SEDS and five-year plan can be described as a centralized yet formally consultative process. Preparations began as early as 1998. The main responsibility for drafting the national plans rests with the Development Strategy Institute, a think-tank within the Ministry of Planning and Investment (MPI). But the SEDS is first and foremost a document of the Communist Part of Vietnam, and as such conforms to the normal consensual style of decision-making followed by the party. The document is based on sectoral strategies produced by line ministries and other central government agencies. The party circulated drafts for internal consultation through the mass organizations, party cells and provincial and central party hierarchies. The party claims to have received over one million suggestions during this process (CPV 2001, viii), although it is impossible to know the extent to which these submissions influenced the final draft. No clear relationship exists between these consultations and the representative functions of local councils and the National Assembly. The actual drafting process is opaque to outsiders, including the general public, mass organizations, NGOs and donors. In the final stages of consultation, drafts were published in national newspapers and discussed on television and radio. The SEDS and five-year plans were formally presented to the Ninth National Congress in April 2001, and subsequently approved by the National Assembly.

The process of drafting the CPRGS was more transparent—particularly to the donor community and people outside the Government—than the production of the SEDS and five-year plan. This in itself marks a major change in the style of Vietnamese planning. The detailed involvement of the PTF in generating poverty analyses, in organizing consultations and in providing comments on drafts marks a qualitative shift in the involvement of outsiders in the process of producing an important government document. What is not clear, however, is whether these changes have implications for national policymaking and planning, or whether the willingness of the government to include donors and international NGOs in the process simply reflects the view often encountered in GVN circles that the CPRGS is a ‘donors’ document’. It is too early to gauge the actual impact of the CPRGS on national planning, which will depend ultimately on the extent to which the CPRGS experience influences future planning exercises.

The CPRGS is a document created by and for the central government. The drafting team consisted of representatives of MPI and the central government ministries and agencies. The party did not circulate the document through the same channels as the SEDS, nor was it publicized in the media. Crucially, the National Assembly neither participated in drafting nor approved the final document. Six communal consultations and four consultation workshops involving sub-national government institutions were held between December 2001 and March 2002 to collect information from the poor themselves and from local government. National consultations were organized on specific issues such as gender and the environment. The limited scope for consultation was in part due to the fact that the CPRGS was completed to a much tighter deadline than the SEDS, and hence the time available for consultation was limited. A more important factor was the government’s view of the CPRGS as a supplementary document to the SEDS and five-year plan. Having recently completed an extended process of planning and consultation, the government and party felt that it was unnecessary to repeat the process so soon. The CPRGS, as an ‘action plan’ for the SEDS, was a matter for government and not the general public.

However, the participatory processes leading to the CPRGS were not confined to the drafting of the document itself. The document is instead the culmination of a much
longer process that began with the *Voices of the Poor* (Poverty Working Group 1999) report based on participatory poverty assessments in four provinces, the *Attacking Poverty* report presented to the 1999 CG meeting and the various workshops organized by the PWG/PTF in preparation for the I-PRSP and HEPR. This longer process was itself less intensive than the SEDS consultations, but introduced new approaches to participation that have attracted the attention of GVN policymakers. Although it is too early to discern the long term impact of these exercises, the introduction of these methods could have a positive influence on future planning procedures. Officials representing line ministries such as MOLISA, the Ministry of Agriculture and Rural Development (MARD), the Ministry of Education and Training (MOET) were impressed by the results of participatory assessments and local consultations, and have expressed an interest in adapting these methods to their own planning procedures.

### Participation of Central Government Agencies

The main responsibility for drafting the CPRGS was assigned to the general economic issues department of MPI. A drafting team, chaired by the department’s deputy director Dr Cao Viet Sinh, was set up consisting of 52 members representing 16 government ministries and agencies. The degree to which each of these institutions participated in the drafting process varied among agencies and over time (Wolff et al. 2002, 25). MOLISA officials, for example, who felt from the outset that responsibility for drafting the national poverty strategy should rest with them rather than MPI, did not take part in the early stages of the process but became more active after September 2001 (Conway 2003, 28). MARD was one of the most active ministries, particularly in the later stages of the process and in response to early drafts of the document that MARD representatives felt did not adequately recognize the importance of agriculture to poverty reduction. MARD organized several workshops in collaboration with donors (including FAO, World Bank and UNDP) to prepare the ministry’s submissions to the drafting team. Similarly, the Environment Department of the Ministry of Science, Technology and Environment, and the Women’s Union also undertook efforts to integrate their own priorities into the CPRGS document.

In general, the participation of line ministries in the drafting of the CPRGS was less intensive than their participation in the preparation of SEDS. This should not be surprising given the overriding importance of the SEDS and five-year plan in determining public investment priorities. Ministerial working groups perhaps paid more attention to costing proposed public investments, reflecting the intervention of the World Bank, which provided support to agencies to accomplish this task. However, members of the drafting team from the line agencies did not hold particularly senior positions within their home ministries, and it is far from clear that senior management—for example ministers and vice-ministers—either took cognisance of the process or dedicated much of their own time to securing favourable outcomes for their own agencies. For the line ministries, the SEDS and five-year plans, along with the accompanying Public Investment Programme and annual budgets, take precedence over the CPRGS.

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7 Members of the drafting unit included MPI, Ministry of Finance, the State Bank of Vietnam, the Committee for the Reform of SOEs, the Ministry of Trade, the Ministry of Industry, MARD, the Ministry of Construction, the Ministry of Transport and Communication, the Ministry of Science, Technology and Environment, MOLISA, MOET, the Ministry of Health, The Committee on Ethnic Minorities and Mountainous Areas (CEMMA), the Ministry of Foreign Affairs, the Government Committee on Organization and Personnel and GSO.
Participation of Local Government

The participation of local government in the CPRGS was limited to the four regional consultations held in early 2002 involving provincial and district officials along with representatives of mass organizations. The exercises were organized by MPI and financed by donor organizations, and conducted over two days in each location. The intention of the regional consultations was to incorporate comments on CPRGS goals, implementation challenges and policy requirements (Wolff et al. 2002. 29). Although the consultations did provide local officials with an opportunity to express their views on early drafts of the document, the impact on later drafts was not substantial (Conway 2003, 36). This is not surprising given that the meetings were large and carried out over only two days. Participants at the consultations note that the drafts of the document were distributed only a few days prior to the meeting, leaving insufficient time for preparation and discussion of local implications before the event. It is safe to conclude that local government consultation for the SEDS and the five-year plan was more substantial than for CPRGS.

The limited scope for participation of local government in the drafting process raises the question of the level of commitment of sub-national agencies to the implementation of the strategy. This concern was expressed repeatedly in interviews with donors, non-governmental organizations and indeed with GVN officials. The World Bank-IMF Joint staff assessment also highlights this issue (IMF and IDA 2002, 5). Several respondents noted that there is little awareness of the CPRGS at the provincial level, and that it is virtually unknown at the district and commune levels. Although GVN officials usually frame the issue in terms of capacity building, Conway argues that central government officials see little role for provincial authorities in policy development (2003, 36). The attitudes of central government agencies reflect the subordinate position of provinces in the system and raise the vital question of the relevance of the CPRGS to local policymakers. As discussed below, the main parameters and contents of the Public Investment Programme (PIP) are based on the SEDS and five-year plan, and the impact of the CPRGS is less apparent. Provincial officials, particularly in poor provinces that depend on central government allocations for the bulk of local spending, are more concerned with these investment plans and with access to centrally-funded poverty reduction programmes managed by MOLISA and CEMMA. Even wealthier provinces with greater capacity for discretionary spending do not understand the implications for the CPRGS for their own provincial-level SEDS documents.

Central government and donors alike recognize the importance of local commitment to the PRS. Follow up programmes call for the gradual integration of the CPRGS into local budgeting by 2008. Activities are now being piloted in 12 initial locations. Donor organizations and INGOs are actively supporting this process in locations where they have developed strong relationships with provincial leaders For example, Oxfam GB and UNDP are working in Tra Vinh province to integrate CPRGS and the Vietnam Development Goals into provincial plans.

Participation of Non-Government Organizations and Mass Organizations

The Poverty Working Group/Poverty Task Force marks a significant change in the relationship between GVN, donors and NGOs. Among these, international NGOs perhaps benefited the most given their precarious position in Vietnam and their traditional lack of access to the policymaking process, particularly at the central level. International NGOs organized the participatory poverty assessments that ultimately led to the Voices of the
Poor document and that informed the PRSP process from the outset. They also took part in commune and provincial consultations, and in workshops organized by PTF. Although they are often critical of the process, their involvement in the PWG/PTF was perhaps the most novel feature of the CPRGS in the Vietnamese context.

International NGOs also pressed for greater involvement of local NGOs, although there are still very few such organizations in Vietnam, and their independence from the state is sometimes more apparent than real. Several such organizations took part in the process, including the Law Faculty Centre for Legal Research and Services of Vietnam National University (LERES) and the Reproductive and Family Health Association (Conway 2003, 37). The opportunity to participate in the process raised the policy profile of these organizations, but it is not clear that their change in status will survive the end of the drafting process.

The mass organizations played a lesser role in the drafting of the CPRGS than in the SEDS. As representatives of sectional interests within the party, the mass organizations are a channel for the promotion of party policies. Although they were invited to review CRPGS drafts, they were not directly involved in writing the document. Among the mass organizations the Women’s Union was the most active in organizing consultations, including a survey of female National Assembly members. The National Committee for the Advancement of Women also contributed an action plan for mainstreaming gender issues into the CPRGS.

Public Participation

Public participation in the CPRGS process took the form of participatory poverty assessments prior to the drafting of the document and the six commune consultations in the same locations (with two additions) in early 2002. Shanks and Turk (2002) identify six areas in which the local consultations influenced the content of the CPRGS.

- Access of migrants to health and education services;
- Exemptions for the poor from ad-hoc school fees;
- Greater local participation in planning infrastructure projects;
- Commitments to increase transparency of local government;
- Enforcement of legal protection for workers;
- Commitment to participatory monitoring of CPRGS.

These are important issues, and GVN’s decision to include them in the final CPRGS shows a willingness to take on board information and perspectives gathered outside of the normal channels. Several of them, for example the commitment to local government transparency and implementation of worker protection laws, are restatements of existing government policies. It is too early to know whether the inclusion of these objectives in the document will raise the profile of these issues or result in fundamental changes in policy. But the initial link between consultations and policy formation is encouraging, particularly in a context in which central government policymakers are traditionally insulated from grassroots feedback.
Aside from the actual content of the CPRGS, the main impact of the local consultations is the demonstration effect for GVN at the central and provincial levels. The exercises were so few in number, and of such short duration, that their intent was more instructive than substantive. The important question in this context is whether GVN will actively integrate participatory poverty assessments or local consultations into the normal processes of planning and programme monitoring. As part of the CPRGS roll-out, for example, commune-level PPAs were organized in 12 provinces in summer 2003. Government agencies participated in these exercises alongside INGOs, local NGOs and research institutes.

The challenge for the future will be to maintain this momentum and to institutionalize these efforts within normal planning procedures. It is likely that practices will differ from among government agencies and locations. For example, MOLISA has enthusiastically picked up on the theme of local monitoring of programme outcomes, and is planning to set up district level poverty monitoring stations in five pilot locations. However, MOLISA’s social protection department continues to express scepticism regarding the representativeness of participatory poverty assessments and local consultations. MOLISA officials cite the example of local antipathy towards regional traders despite the MOLISA view these traders have helped to integrate markets in distant locations and thus promote crop diversification and non-agricultural production. MOLISA prefers its own system based on commune-level officials, which they claim have superior knowledge of local conditions.

One of the greatest ironies of the CPRGS is that despite the donors’ best efforts to emphasize the importance of broad-based participation the country’s premier representative institution, the National Assembly, was largely excluded from the process. Reflecting its status as an action plan of SEDS rather than a new policy statement, the document itself was not submitted to the assembly for approval but instead was signed by the prime minister. Although drafts were submitted to the assembly’s Economics and Budget Committee, members of the committee are unfamiliar with the document and expressed the opinion that its contents were simply a restatement of the SEDS, which had already been approved by the assembly.

The donor community broadly considers the absence of National Assembly participation as a missed opportunity that should be rectified both in future planning exercises and in monitoring CPRGS implementation. This point features prominently in the IMF and World Bank’s Joint Staff Assessment of the CPRGS (IMF and IDA 2000). The UNDP and DFID have already launched capacity building programmes to support the National Assembly’s ability to engage more effectively in the planning process and to monitor implementation of plans and budgets.

3.2 Country Ownership

Vietnam’s transition from central planning to a mixed economy was entirely country driven. Although bilateral and multilateral donors have welcomed the advent of doi moi and have supported the process from the middle of the 1990s, aid commitments did not materialize until the reform process was already well under way.8 Aid inflows from the

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8 The first Consultative Group Meeting was held in Paris in November 1994. ODA disbursements did not reach US$ 1 billion until 1997.
Soviet bloc effectively ceased in 1990, while western donor participation was held back by the continuation of the US embargo until 1993. Even after the donors sharply increased aid commitments in the late 1990s, their role in policymaking has been marginal. Although the GVN-donor relationship is generally described as productive and co-operative, the government is not only firmly in the driver’s seat, but at times it is not entirely clear that passengers are welcome. This strong nationalist bent to donor-government relations is not unusual in the East and South Asian context.

Evidence of the donor community’s minimal influence on policy formation in comparison to many other developing regions is readily apparent in the process of drafting of the SEDS. External inputs do not appear to have had a significant impact on the final version of the document. Donors found even obtaining drafts of SEDS documents difficult, and their input was largely confined to providing policy advice and other initiatives to stimulate debate.9

Although the donors had a larger role in formulating the CPRGS, the document was produced on GVN’s own schedule and was written by Vietnamese in the Vietnamese language, and only later translated into English for donor input. However, the government’s guardedness with respect to the role of donors in policymaking does not necessarily mean that CPRGS was ‘owned’ in the sense that GVN initiated the process and carried it out on its own accord. On the contrary, a general consensus exists among donors and GVN officials alike (with the possible exception of the World Bank) that the main purpose of the CPRGS was to obtain concessional financing from the World Bank and IMF in the form of PRSC and PRGF credits. From this perspective, the CPRGS, as one high-ranking official put it, is ‘just for the donors’.

That the main purpose of the CPRGS was to satisfy donors and obtain financing raises two questions in relation to national ownership of the CPRGS process. First, to what extent are the contents of the CPRGS nationally owned in the sense that GVN accepts the contents of the document as an accurate statement of current policy? Second, does GVN intend to implement the policies included in the CPRGS in full, or have policies been included to please the donors that the government has no intention to adopt?

The close correspondence between the objectives listed in the SEDS and five-year plan and the CPRGS suggests that the latter does indeed represent a faithful representation of GVN’s policy intentions. As shown in Appendix I, the bulk of objectives included in the CPRGS were taken directly from the national planning documents. There are some notable differences. As noted above, the CPRGS takes on board several policy objectives derived from local consultations such as exempting the poor from school fees and revisiting the issue of residence permits. The matrix also indicates two areas addressed in the CPRGS that are not present or only mentioned briefly in the SEDS: namely, gender equality and the role of small and medium scale enterprises. In terms of the content of the CPRGS, the greater attention to gender issues is one of the most important policy contributions of the document. Other differences between the documents relate less to government policy than to monitoring and evaluation, for example the use of more specific tar-

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9 Through a project on SEDS with DSI, UNDP brought in several well-known scholars to produce a series of background papers for the drafting team. Similarly, the World Bank, UNDP and ADB also provided input through various forms of policy dialogue, and through the jointly authored 2001 Vietnam Development Report “Entering the 21st Century” (World Bank 2001b).
gets relating to poverty alleviation, educational attainment and health. In Vietnam, unlike most PRSP countries, the question is not whether the government owns the process but whether the donors have much influence over the content of the final product.

Regarding the second question, it is too early to discern the government’s ultimate intentions regarding the implementation of the policy framework of the CPRGS, and the importance that GVN attaches to the various indicators and objectives listed in the document. In Hanoi, familiarity with the contents of the CPRGS is still limited to those who were directly involved in its production, and at the provincial level few officials are aware of the document. A good deal of confusion still exists at the central and provincial levels regarding the relationship between the SEDS and CPRGS, and the steps that must be taken to implement the latter. MPI is attempting to address the problem through regional workshops on CPRGS implementation, local consultations and capacity building at the provincial level. Donors and NGOs are committed to supporting these efforts.

3.3 Partnership

Donors and non-government organizations were largely excluded from the process of developing the SEDS and five-year plans. The absence of donor-government cooperation in the preparation of these documents is the norm in Vietnam, where GVN enforces a strict separation between external advice and assistance and the domestic decision-making process. The intensive dialogue on poverty reduction that began with the first Vietnam Living Standards Survey (VLSS) in 1992 and extending through the drafting of the CPRGS thus represents a milestone in what the donors now refer to as development partnerships. In view of the dearth of reliable statistics in Vietnam—a problem that remains a major obstacle to effective development work—the importance of the VLSS should not be underestimated. For the first time, a representative sample of households was surveyed on a range of economic and social topics, and the results were made available to donors and academics both within Vietnam and abroad. The innovation of the Poverty Working Group and Poverty Task Force also marked an important change in the nature of interactions between the government, donors and NGOs.

The PWG/PTF was one of a number of partnership groups set up to facilitate GVN-donor dialogue as part of the implementation of the World Bank’s Comprehensive Development Framework (CDF). Most of these groups operate at the sectoral level and vary in terms of donor and government participation (Wolff et al. 2002, 30). The greater importance and higher profile of the PWG/PTF is due largely to the emergence of the PRS process, and by extension the access to external financing attached to it.

The World Bank’s leadership in forming the partnership groups and driving the PRS process from the donor side has substantially raised the profile of the organization in Hanoi. Although not the largest donor in term of ODA commitments, the Bank has the largest operation in Hanoi and has invested considerable resources in economic and policy analysis, which has enabled the group to achieve near intellectual hegemony. Several bilateral donors including DFID have reinforced the Bank’s leadership position through co-financing arrangements, support for PWG/PTF activities and other partnership groups, and

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10 The VLSS was implemented with support from UNDP and SIDA.
in the case of DFID seconding staff to the World Bank office. Forming a self-styled ‘like-minded donors group’, these organization—representing the UK, Netherlands, Sweden, Denmark, Norway, Switzerland, Finland and Canada—have indicated that the CPRGS, with some improvements and evidence of the government’s commitment to implementation, will form the basis of their respective country strategies in the future.

Other donors have participated in the process but have retained greater independence from the World Bank in terms of policy priorities and programming. UNDP has participated actively in the PWG/PTF but has emphasized adoption of the Millennium Development Goals and the organization’s own concept of pro-poor growth. Japan, which abstained from PWG/PTF activities, has recently indicated that it will support the CPRGS if an additional chapter were to be included on ‘pro-poor large infrastructure’, reflecting the country’s own ODA priorities.

The government strongly supports the shift in World Bank policy away from structural adjustment and ex-post conditionality to the CDF and PRSC frameworks. GVN officials appreciate the signalling effects to other donors of World Bank enthusiasm for the PRS process and the rapid expansion of the institution’s portfolio in Vietnam. The Bank is seen as ‘more flexible’ than in the past and less demanding in terms of policy change. MOLISA, which to a large degree lost control over poverty reduction strategy to MPI, is understandably more critical of the Bank’s role, and of the willingness of bilateral donors to accept the Bank’s leadership and rely on the Bank for analysis and policy direction.

Several respondents, including donors and GVN officials, expressed trepidation about the sharp increase in ODA commitments to Vietnam since 2000. Total commitments increased from about US$1.8 billion in that year to $2.5 billion in 2001 and 2002, and donors are expected to pledge a similar amount this year (see Table 2). The country’s successful record of poverty reduction, relatively rapid pace of economic growth and political stability are attractive to donors. The World Bank, which is anxious to identify successful examples of CDF implementation, is particularly enthusiastic. Several donors and GVN officials characterized Vietnam as the new ‘donor darling’, a term that now has broad currency in Hanoi.

Vietnam’s ‘darling’ status presents two problems for the donors over the medium term. First, Vietnam’s easy access to aid financing effectively reduces the leverage of any single donor. One of the explicit objectives of aid co-ordination through partnership groups and the PRSP process is to present the government with a more unified donor front, thereby increasing the policy leverage of ODA taken as a whole. Although it is far from clear that such a strategy would work in the Vietnamese context, it is increasingly unlikely that the donors will attempt it. Instead, the donors, led by the World Bank, have coalesced around a policy of giving more and requiring less in return. Evidence of this trend is apparent in the terms of the recently signed second PRSC loan, which includes previous commitments and achievements—such as ASEAN Free Trade Area (AFTA) tariff reductions and the Budget Law—as policy benchmarks.

Table 2: ODA Commitments and Disbursements, 1994-2001

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<tr>
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<th>Commitments</th>
<th>Disbursements</th>
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<tr>
<td>1994</td>
<td>1,532</td>
<td>817</td>
</tr>
<tr>
<td>1995</td>
<td>1,516</td>
<td>677</td>
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<tr>
<td>1996</td>
<td>1,960</td>
<td>801</td>
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The second problem, and one that is increasingly preoccupying the donors, is the slow pace of ODA disbursements. While commitments increased dramatically after 2000, disbursements have actually declined slightly. Pressure is therefore mounting on both GVN and donors to move funds. In this context, aid co-ordination can have the unintended effect of encouraging donors to act in concert to relax rather than tighten conditionalities attached to ODA. The IMF views pressure from co-financiers on the IFIs to accelerate disbursement as a form of ‘log-rolling’ that has had transformed the GVN-donor relationship into one of ‘co-dependency’ rather than co-operation. Donors are increasingly willing to accept opaque policymaking processes and even questionable GSO-generated data as monitoring and evaluation benchmarks in order to accelerate disbursements. Increased use of fast-disbursing budget support and Sector-Wide Approaches (SWAPs) could exacerbate this problem. On the government side, easy access to ODA has reduced pressure on GVN to accelerate potentially growth-oriented reforms. Although the IMF’s view is influenced by problems relating to its own PRGF credits, some other donors echo these concerns.11

3.4 Orientation towards Concrete Results

One area in which the CPRGS is an unqualified improvement over the SEDS and five-year plans is in the specification of concrete objectives and indicators. These are given in Appendix I of the CPRGS, which presents a matrix of economic and poverty reduction measures with accompanying lists of targets, indicators and responsible agencies. The CPRGS relies heavily on VLSS to provide the appropriate indicators, and the sample size of the survey has been expanded some ten-fold (75,000 households in VHLSS 2002 in contrast to 6,000 households in VLSS 1998) in an attempt to make the surveys more representative at the regional level.12 Appendix III of the CPRGS itemizes the necessary policy measures and presents a time frame for implementation.

The targets and indicators presented in the CPRGS are based on the Vietnam Development Goals, which represent an adaptation of the Millennium Development Goals to the

<table>
<thead>
<tr>
<th>Year</th>
<th>ODA Commitments</th>
<th>ODA Disbursements</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>2,137</td>
<td>955</td>
</tr>
<tr>
<td>1998</td>
<td>2,113</td>
<td>1,193</td>
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<tr>
<td>1999</td>
<td>1,919</td>
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<td>2000</td>
<td>1,776</td>
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<tr>
<td>2001</td>
<td>2,544</td>
<td>1,535</td>
</tr>
<tr>
<td>2002*</td>
<td>2,500</td>
<td>1,500</td>
</tr>
</tbody>
</table>

Source: OECD
*UNDP estimate

11 The IMF has suspended the PRGF in Vietnam as a result of the failure of the State Bank of Vietnam (SBV) to release information on reserve transactions that are required of all IMF members.

12 Given the central role of the VLSS in providing information to monitor progress towards CPRGS objectives, it is imperative that the survey is adequately resourced and carried out to the highest technical standards. MOLISA still does not accept the view that VLSS data are superior to the ministry’s own monitoring system despite the fact that the latter does not use systematic sampling techniques. MOLISA poverty surveys do not sample the population systematically but instead collect information only from households and communes that fall into the ‘poor’ category according to MOLISA guidelines.
Vietnamese context and correspond to the current 10-year planning period (i.e. up to 2010). In support of this effort, the government and donors commissioned a series of studies in support of this effort. The studies covered poverty and hunger, social protection, environmental sustainability, education, health, access to infrastructure and governance. A workshop was held in Haiphong in September 2001 to generate Vietnam Development Goals based on these studies for use as objectives and targets in the CPRGS. The results have had a substantial impact on the final document, which includes specific targets for poverty reduction, educational attainment, healthcare provision and outcomes and access to infrastructure that are largely absent from the SEDS and five-year plan.

While the objectives and indicators set out in the CPRGS are an improvement over the SEDS and five-year plan, concerns remain over the realism of individual targets and the proposed system of monitoring and evaluation. Some examples will help illustrate the nature of problem:

- The objective of increasing the efficiency of resource allocation is silent on the crucial issue of public investment, which remains heavily concentrated in state-owned enterprises and large infrastructure projects, many of which are of dubious economic merit;
- The objective of job creation is not linked to economic reforms to bolster the domestic private sector, which is the main motor of employment growth;
- Banking reform is not linked to the objectives of growth, efficient resource allocation or reducing vulnerability, and the proposed policy measures do not tackle the fundamental problem of the accumulation non-performing loans in the SOE sector;
- Economic targets are to be measured against GSO statistics (for example, labour force surveys, prices and growth) although serious doubts remain about the accuracy of this information;
- Environment-related indicators are vague (for example, increasing forest cover to 43 percent nationally and maintaining species diversity in protected forests) and the relevant ministries lack the technical capacity to collect this information;
- Provincial governments are expected to provide detailed reports on resource use and impact, for example data on financial support allocated at the household level. Yet most provinces lack the resources and technical capabilities to carry out these tasks;
- Some targets are vague, for example the need to ‘minimize the number of people sickened by cholera, typhoid, hemorrhagic fever, malaria and plague, etc.’, and ‘expand the official social safety net’;
- The document relies heavily on VLSS for indicators for which the instrument is poorly suited, for example disease incidence;
- The VLSS is representative at the regional but not provincial levels (despite the recent increase in sample size), so provincial benchmarking is not possible.

These difficulties highlight two issues. First, and most fundamentally, the CPRGS does not deviate from the SEDS on the central issues of allocation of public investment and reform of SOEs and the banking sector. The CPRGS is silent on the first issue, and puts forward only vague proposals to deal with the latter two. Commitments to ‘create a level playing field’ and ‘create equal conditions for all types of enterprises’ can be found in both
documents, but it not clear how this is to be achieved and what indicators will be used to measure progress.

The second issue is the need for capacity building both at the sectoral and provincial levels to improve existing procedures of data collection, processing and reporting. Improving the quality of information will require extensive donor support, and, more importantly, willingness within GVN at all levels to replace existing ‘administrative’ reporting systems with more rigorous methods and to share information with other government agencies as well as with donors, NGOs, researchers and the media.

GVN officials, donors and NGOs remark that the results orientation of the CPRGS will depend crucially on the implementation process. An implementation group has been set up in MPI under the General Economic Issues Department, and this body is charged with responsibility for co-ordinating the operations of the CPRGS at the sectoral and provincial levels. MOLISA has been assigned the task of monitoring its own targeted poverty reduction programmes, and plans to establish regional poverty monitoring units and to pilot district level units this year. Other line ministries have set up monitoring groups to track progress towards relevant objectives. Provinces are required to report on resource allocation and local impact.

These are huge tasks that will require mobilization of resources and skills on a large scale and commitment from the top levels of government. Although the process is just getting underway, assessments already range from extremely optimistic (World Bank, MPI) to moderately sceptical (INGOs, UNDP). Optimists point to the unprecedented synchronization of efforts among ministries, donors and NGOs that went into the drafting of the document, and which they hope will carry over to the implementation phase. Pessimists emphasize the slow start to the implementation process, resistance at the sectoral and provincial levels, capacity constraints in the system and erratic support at the highest levels of government.

3.5 Comprehensiveness

Both the SEDS and CPRGS are comprehensive from the perspective of addressing a wide range of sectors and development issues. Both emphasize the importance of economic growth to poverty reduction. However, in the SEDS and five-year plan poverty is treated mainly as a sectoral issue reflecting the targeted programmes approach favoured by the government. In the CPRGS, the adaptation of the Millennium Development Goals in the form of the Vietnam Development Objectives ensures that the approach to poverty is multi-dimensional, encompassing issues relating to equity, opportunity and social security. The CPRGS also brings in a number of so-called ‘cross-cutting issues’ such as gender equality and environmental sustainability that are largely absent from the national planning documents.

The decision to assign responsibility for drafting the I-PRSP and CPRGS to MPI in place of MOLISA provoked sectoral agencies to take on board the issue of growth-poverty reduction linkages. MARD’s dissatisfaction with early drafts and subsequent efforts to increase their influence on the final product prompted the ministry to reframe its development objective in terms of their likely impact on the poor. The experience could have a lasting impact in MARD, which is now required to reformulate its mission statement over the coming year. In support of this task, MARD has set up three task forces, covering sus-
tainability, water issues and poverty reduction. FAO has committed resources in support of these efforts.

More fundamentally, however, the SEDS and CPRGS are similarly vague on the mechanisms linking economic growth to poverty reduction. Over the long period, poverty can only be reduced on the basis of employment and productivity growth. State-owned enterprises, which still dominate the manufacturing sector and absorb a large share of public investment, have performed poorly on both counts. Dapice reports that the state sector accounts for only two percent of total employment growth since 1998, but absorbed 56 percent of total investment in 2001-2002 (Dapice 2003, 6). Although registration of private enterprises increased sharply after the adoption of the Enterprise Law, the vast majority of these firms are very small and concentrated in trade and services. The CPRGS, like the SEDS, proposes a number of policy remedies to stimulate private sector investment and rationalize state-owned firms. However, policy proposals in both documents are poorly integrated and are often inconsistent.

3.6 Prioritisation

One of the major weaknesses of the SEDS and five-year plan is the absence of clear priorities. The style of the national planning documents is that of an extended ‘wish list’ rather than any serious attempt to come to grips with the issue of opportunity costs and priorities. This reflects both the long process of drafting the document, in which sectors and regions are invited to submit plans and proposals, and the legacy of central planning. The politics of consensus building and regional balance favour inclusiveness over selectivity in the identification of investments, programmes and policy changes.

The stated aim of the CPRGS, as an ‘action plan’ of the SEDS and five-year plan, was to link the objectives and outcomes listed in the national plans to concrete policies and investments. The chapter on resource mobilization included in later drafts of the CPRGS represents an attempt to relate government spending to poverty reduction targets. The World Bank contributed to this process by financing a ‘costing mission’ to support the drafting team in making these calculations. The effort was largely unsuccessful. Figures presented in the chapter are highly aggregated and for the most part reiterate general spending guidelines derived from the five-year plan. Some estimates cover the entire plan period, while other refers only to the years 2003-2005. These general guidelines were later carried over to the Public Investment Plan 2001-2005 (PIP) released in December 2002. The CPRGS has had little apparent impact on the latter document despite the fact that it was produced by the same department in MPI that led the CPRGS drafting team. This has been the cause of some frustration in the World Bank, which remarks in the most recent Vietnam Development Report that while the objectives of the CPRGS are to stimulate growth and reduce poverty, ‘the projects in the PIP seem rather determined by a combination of sectoral strategies and the preferences of a variety of key stakeholders, ranging from provincial governments to international donors’ (World Bank 2003c, 73).

The Public Investment Plan is a revealing document in that it sets out GVN priorities not in rhetorical terms but in terms of actual resource allocation. The plan calls for substantial investment of government resources into directly productive activities through state-owned enterprises. A number of costly, high-profile public investments of dubious economic value but of great political importance are also included in the plan, for example the Dung Quat oil refinery in Quang Ngai province, another oil refinery in Thanh Hoa (Oil Refinery No. 2) and the and no less than 14 cement factories. As David Dapice argues,
poverty reduction outcomes in Vietnam depend crucially on improving the quality of public investment (Dapice 2003, 6). But the allocation of public investment remains dominated by political factors, with economic criteria playing a very minor role. Dapice points out that while two or perhaps three deep water ports would be sufficient to meet Vietnam’s needs, the country has plans for more than 90 ports. Nine of these appear in the current PIP, and many are provincial government projects. The CPRGS has therefore not yet had a substantial impact on the quality of investment planning.

4. The Impact of the CPRGS on National Planning

This section discusses the likely impact of the CPRGS on the system of national planning. Much of what follows is speculative, since a clear picture will only begin to emerge during the next planning round due in 2005. As argued above, the PRS should be viewed as one part of a long-term process of institutional change, and as such it is difficult to attribute causation to the CPRGS or to any other individual component of the process.

Vietnam possesses a long tradition of national planning, strong government ownership of the planning process and a pre-existing commitment to poverty reduction. The contribution of the PRS process in Vietnam is therefore more circumscribed than in countries that do not share these characteristics. This does not mean, however, that the process is redundant or marginal. In this section we focus on three areas in which the PRS process could have a substantial impact on national planning: intra-governmental relations, the relationship between government and civil society, and the pattern of public sector spending. We argue that the experience of the PRS process in these areas could spill over into the regular national planning systems. Such ‘mainstreaming’ of the PRS process will require a long-term commitment to co-operation, capacity building and experimentation on the part of government at all levels, donors and civil society. We also conclude that for donors engagement may be most fruitful at the sectoral and provincial levels where capacity constraints are most pressing and where better linkages between planning, implementation and evaluation are likely to yield the greatest payoff.

4.1 The CPRGS and Intra-Governmental Relations

Government Perceptions of the CPRGS

The CPRGS is not a well-known document within government circles. Responsibility for drafting the document was not held at the ministerial or even vice-ministerial level, but rather was assigned to one department within MPI. Even within this department, the chair of the drafting committee only held the rank of deputy director at the time. The completed document rose through the system to the desk of the prime minister within a matter of weeks. Although time constraints may account to some extent for the speed with which the document moved through the upper echelons of government, these deadlines were self-imposed and could have been pushed back if higher-level scrutiny had been considered necessary.13

13 Loan agreements with the IMF and World Bank for PRGF and PRSC credits were signed on the basis of the I-PRSP in the previous year. The second PRSC loan was signed in August 2003. Current plans call for a total of five PRSC loans.
Even within central government agencies knowledge of the CPRGS is not widespread. Within the line ministries, awareness of the document is mostly limited to those individuals directly involved in the process. Even within MPI, few other departments are familiar with its contents or significance. Unlike the SEDS, it was not disseminated widely or publicized through the mass media. As an ‘action plan’ of the SEDS and the five-year plan, it did not require approval of either the party apparatus or the National Assembly. Indeed, members of the National Assembly are largely unaware of the document. As discussed below, the National Assembly’s lack of involvement has important implications for resource allocation, given that the role of the legislature in overseeing public expenditure has increased in recent years. Familiarity with the document is also limited at the provincial level (Conway 2003, 48; Norlund et al. 2003, 68). Several respondents report that their contacts in provincial government had never heard of the document. For the vast majority of government officials the CPRGS is simply irrelevant, and will remain so until it is integrated more explicitly into the SEDS and five-year plan. The low profile of the CPRGS within government circles contrasts sharply with the World Bank’s view that is represents ‘one of the main documents guiding the reform agenda of Vietnam’ (2003a, i).

The CPRGS will achieve greater prominence once the planned ‘roll-out’ of the programme gathers pace. An inter-ministerial steering committee was set up in September 2002 under Deputy Prime Minister Nguyen Tan Dung to oversee implementation of the CPRGS and the World Bank and IMF concessional loans attached to it. An implementation secretariat has been established in MPI, and this group has begun a series of regional workshops, regional consultations and provincial pilots. Conway reports that innovative provinces have already taken notice of the CPRGS and were considering ways to incorporate it into provincial budgets and plans (2003, 57). But in general the implementation process started slowly, with nearly a year elapsing between approval of the document and MPI regional workshops. Some in the donor and NGO communities worry that the momentum has already been lost, and that a concerted effort emanating from the highest levels of government is required to revive interest in the CPRGS at all levels.

Will the CPRGS change the way in which central agencies interact with line ministries in the planning process?

World Bank staff argue that the CPRGS has given greater voice to line ministries in national planning decisions. They see MPI’s role, for example, as changing from that of gatekeeper to equal player in the planning process. The main reason cited is the change in the format of interactions during the CPRGS drafting process. Traditionally MPI and MOF conduct bilateral negotiations with sectoral ministries when formulating national plans, a process which allows the planning agencies to control the flow of information and thereby increase their bargaining power. The move to multilateral discussions for the CPRGS is seen as positive to the extent that planning agencies were obliged to open up the decision making process to the sectoral ministries (Conway 2003, 25). The hope is that a similar format will be adopted for future national plans.

The example of MARD’s objection to early drafts and successful introduction of changes to later versions of the document is cited as evidence of the changing relationship between MPI and the line ministries. One of the MARD participants in the drafting team confirms that the ministry, although not completely satisfied with the final product, is pleased that many of its recommendations were included. However, he also notes that MARD still relied heavily on other agencies such as MPI and GSO for planning informa-
tion, suggesting that the relationship between planners and sectoral ministries has not changed as much as some would have hoped. He emphasized MARD’s ambitions to development greater in-house capacity for policy analysis, programme monitoring and cost-benefit analysis.

The World Bank’s position probably understates the extent of consultation that already exists in the national planning system and overstates the changes introduced for the CPRGS. The process of formulating the SEDS and the five-year plan may be opaque to outsiders, but internally the line ministries participate actively through the preparation of sectoral plans and detailed, high-level negotiations with MPI, MOF and the Government Office. The party hierarchy is certainly involved in these discussions. During the preparatory stages of the CPRGS, the line ministries did sit around one table, but participation was uneven and at times at a relatively low level within the ministerial hierarchy. Although MARD took the process very seriously, others did not. It is also far from certain that the multilateral approach tested during the drafting of the CPRGS—to the extent that this model was actually deployed during the process—will carry over to the national planning system.

In some respects the CPRGS strengthened MPI vis-à-vis line ministries by adding poverty alleviation to their remit. The decision to assign responsibility for the I-PRSP and CPRGS to MPI rather than MOLISA certainly weakened the latter relative to the former. MOLISA’s reaction has been to argue that the SEDS (and by implication, the HEPR) takes precedence over the CPRGS. One year after the completion of the CRPGS, MOLISA is now less concerned with the document itself than with MPI’s role in heading the implementation committee, and the potential implications for planning, monitoring and evaluation of MOLISA’s own targeted programmes. MOLISA staff argue that as a planning agency MPI is not the appropriate vehicle to drive CPRGS implementation. In view of the large number of key functions already assigned to the department of general economic issues, this claim cannot simply be dismissed as an expression of inter-agency rivalry. MPI’s lack of experience in implementing projects and programmes was cited by a number of people as a cause of concern.

Competition between the two agencies could produce some positive effects as MOLISA takes steps to increase its own capacity to monitor and evaluate targeted programmes, and to involve donors in the process. MOLISA has recently launched a new evaluation of targeted programmes in cooperation with UNDP, and in an interesting recent development MOLISA has agreed to discuss with the World Bank the latter’s work on the efficacy of targeting in MOLISA’s Hunger Elimination and Poverty Reduction Programme using the 2002 round of the VLSS. MOLISA is willing to take on board findings of the research to improve these programmes if the evidence is convincing. These are potentially significant developments in that they signal MOLISA’s acceptance of the need for independent evaluation of its programmes and the use of objective indicators (as opposed to administrative reports, which have been so far used as the only source of information) in monitoring progress towards programme objectives.

14 As the field research for this study was being carried out, the department of general economic issues participated in a mid-term review of the five-year plan. The department also participates in in drafting the SEDS, five-year plan and has a central role in formulating the Public Investment Programme. It is also busy with day-to-day work on general economic issues within MPI.
The examples of MOLISA and MARD suggest that the PRS process has revealed to some sectoral agencies the importance of in-house capacity to plan, monitor and evaluate programmes. This presents useful opportunities to donors to support capacity building in line ministries linked to integrating the objectives of poverty reduction and growth into sectoral planning, policy-making, analysis and evaluation. Although interests—and hence receptiveness—will vary among ministries and ministerial departments, donors can help to reinforce PRS planning principles through support for in-house capacity at the sectoral level and improved linkages between sectoral planning and monitoring at the provincial level.

Will the CPRGS change the way in which national agencies interact with sub-national agencies in the planning process?

Provinces are charged with responsibility for drafting local socio-economic development strategies and annual plans. The extent to which these are meaningful exercises depends largely on access to resources. Formally, provincial government assumes a major role in public expenditure policy, and this role has grown in importance since the 1996 Budget Law. The World Bank reports that local government’s share of total expenditure increased from 26 percent in 1992 to over 42 percent by 1998 (World Bank 2002c, 84). However, provincial governments must still allocate resources on the basis of detailed instructions emanating from line ministries in the central government. Local officials note that that budgetary discretion varies markedly across provinces depending on access to local revenues. The World Bank observes that net transfers for recurrent expenditures generally go to poorer provinces, while investment funds generally go to the richer locations (World Bank 2003c, 73). Richer provinces with easily accessed tax handles like joint venture or foreign-owned firms therefore enjoy greater budgetary discretion, since they can finance recurrent costs out of local revenues and rely on the central state for investment. Poorer provinces that rely on the central state for routine costs have little scope for innovation.

The CPRGS will not change these well-established relationships. Some provinces, particularly those where INGOs and donors are actively involved, will incorporate CPRGS objectives into provincial plans. This will be easier in sectors such as health and education, where targets are clearly linked to existing programmes and mechanisms. Objectives relating to economic goals such as employment generation and reducing vulnerability present more difficulties in that they require subtle forms of intervention and may conflict with deeply entrenched economic and political interests. Incorporation of CPRGS objectives will therefore vary markedly across provinces, with no relationship between the incidence of poverty and the capacity and willingness of provincial administrators to take heed of the CPRGS.

The opinion was expressed on several occasions that the CPRGS may have complicated rather than focussed planning at the local level. Although the document helps donors to co-ordinate their efforts, provinces must still organize their efforts with reference to the SEDS and five-year plan. The addition of another set of objectives and targets—even if these represent an improvement over those included in the SEDS—could add an element of confusion into a process that already places a heavy emphasis on reaching targets, often at the expense of clear enunciation of means and strategies. Several donor representatives noted that more would be gained from focussing on sectoral five-year plans rather than the CPRGS in discussions with provincial government.
All respondents agree that capacity constraints are a major obstacle to change at the provincial level. Provinces lack the skills required to programme, implement and monitor service delivery, let alone participatory planning and policy analysis. These problems are particularly acute in the poorest regions. Donors recognize the urgent need for capacity building and co-operation at the provincial level, and also accept the proviso that support must be long-term and consistent in order to contribute to institutional change. DFID, for example, has launched a large-scale programme to improve planning, implementation and monitoring services in the Northern Mountains and Central regions of the country.

4.2 The CPRGS and Government-Civil Society Relations

The great irony of the CPRGS is that despite the strong rhetorical emphasis on participation and consultation, the National Assembly was excluded from the process of drafting the document or implementing the strategy contained within it. As noted above, the CPRGS was a government document that was assigned the subsidiary role of ‘action plan’ for the SEDS and five-year plans. The National Assembly did not debate or approve it, and members of the body did not join the drafting committee. As a result, National Assembly members, including those on the economic and budget committee, are unfamiliar with the CPRGS.

The absence of National Assembly involvement represents a missed opportunity for both the CPRGS and the SEDS. National Assembly ratification would have raised the profile of the CPRGS and presented donors with an opportunity to re-examine the implications of the document for public spending priorities. The process would have exposed National Assembly members to the benefits of the CPRGS process, most notably poverty-growth linkages and the clear delineation of objectives, intermediate targets and clear lines of responsibility for implementation, monitoring and evaluation. In view of the important role of the National Assembly in debating and approving the SEDS and five-year plans, close attention to the details of the CPRGS, particularly its innovative components, could have influenced the legislature’s perceptions of the national planning system and drawn attention to the weaknesses in existing procedures.

Other representatives of civil society were more actively involved in the CPRGS process, although it is too early to tell whether their participation marks a meaningful shift in public access to the planning system. Three types of civil society organizations exist in contemporary Vietnam: namely, local non-government organizations, international non-government organizations and mass organizations. Of the three, only international NGOs are entirely independent from party and government structures. However, these categories conceal a good deal of heterogeneity with respect to the representative functions of these organizations and their capacity to establish some critical distance between themselves and the party-state apparatus.

Mass organizations like the Women’s Union, Youth Union, Peasant Union and the Vietnam Labour Confederation are linked to the party apparatus through the Fatherland Front. These organizations were set up to communicate party policy to non-party members and they do not function as autonomous bases of organization. The one exception is the Women’s Union, which has consistently enjoyed more dynamic leadership than the other groups and has also benefited from partnerships with INGOs and donors. These partnerships have helped the Women’s Union to develop internal capacity and to gain practical experience in numerous development and awareness projects. The political importance of
the Women’s Union also stems in part from the fact that unlike peasants, workers and pensioners, no single government ministry is charged with responsibility for administering programmes affecting their membership. The absence of a competing agency within the state creates some space for the Women’s Union to take a leading role in promoting awareness of the problem of gender inequality and the relationship between restricted economic opportunities for women and poverty.

The National Committee for the Advancement of Women, a government body in which the Women’s Union is well-represented, contributed a national strategy for the advancement of women in Vietnam to the SEDS and five-year plan. Despite this input, there are few references to gender issues in the national planning documents. Gender issues were also marginalized in early drafts of the CPRGS. In response, the Women’s Union organized several workshops relating to gender and poverty issues with the support of donors to raise awareness of the importance of gender equity to poverty alleviation. As noted above and demonstrated in the matrix presented in Appendix I, the final version of the document includes more detailed objectives and targets relating to gender equity.

The existence of the mass organizations narrows the scope for local NGOs, which in some respects are competitors for external partnerships and political legitimacy. Indeed, until recently local NGOs did not exist at all, and their legal status remains unclear. However, the increase in donor and INGO activity in Vietnam over the past decade created demand for local counterparts to implement projects and conduct research. From this perspective, the development of local NGOs has been externally driven rather than the result of spontaneous organizational efforts from below. The characteristics of most local NGOs reflect these origins. Some are staffed by retired government officials who have experience working with donors and INGOs, and others by young professionals with some overseas experience who are comfortable interacting with counterpart organizations. All are oriented towards service delivery (in the form of project management, training and research) rather than political representation. Although some local NGOs participated in CPRGS consultations at the request of INGOs, their role was limited.

INGOs, by way of contrast, were among the main beneficiaries of the CPRGS process. The number of INGOs mushroomed in the 1990s, and now there are some 500 organizations active in the country. The vast majority are engaged in specific development projects, usually in collaboration with local government. The experience of project implementation has naturally led the larger INGOs to take a greater interest in policy formation, although for the most part their access has been limited to the local level and based on personal relationships built over time with local level officials. INGOs do engage in advocacy of specific policies, for example arguing for greater efforts to protect the natural environment or to ensure the rights of ethnic minorities. However, explicit criticism of government policy and autonomous organization independent of local government or mass organizations is not permitted. The Poverty Working Group/Poverty Task Force provided these groups with an opportunity to take a more direct role in national policy discussions than has previously been the case. Their knowledge of local conditions and organizing skills were particularly useful to donor organizations, which were anxious to increase the role of INGOs in the process. ActionAid, Oxfam GB and Save the Children have had the most direct impact on the process through the participatory poverty assessments that fed into the *Voices of the Poor* document. INGOs also took part in commune and provincial consultations, and in workshops organized by PTF.
Although at times critical of the process and results, the large INGOs welcomed the opportunity to expand their traditional role in Vietnam and to sit alongside donors and government in fora like the PWG/PTF. The CPRGS can be viewed as part of an evolutionary process in which INGOs have gradually gained the trust of government and have therefore been allowed to cautiously and incrementally undertake some of the advocacy functions that these institutions perform in other developing countries. Oxfam GB, for example, plans to introduce a new programme to counter ‘voice poverty’, which in itself marks a willingness to engage in politics in a more overt manner, at least locally.

4.3 The CPRGS and Resource Allocation

Many of the objectives included in PRSPs are related to patterns of public expenditure. Public spending decisions have a substantial impact on economic growth, employment generation and the achievement of social objectives such as access to education and health services. The relationship between fiscal policy decisions and the poverty strategy articulated in the CPRGS is therefore crucial to the PRS process. If spending decisions are unconnected to the PRS it is likely that priorities outlined in the document will be underfunded or remain heavily dependent on donor financing, and that a sizeable portion of the government budget is directed to unproductive current expenditures or investments.

In the context of Vietnam, the government has been extremely reluctant to discuss spending plans with outsiders, including donors. Even basic information about spending priorities was for many years hard to come by. The national budget was considered a state secret until 1999, and even in recent years GVN has refused to disclose complete information for all spending categories.15 However, two Public Expenditure Reviews (PERs) have been carried out in co-operation with donors, and UNDP and the Dutch government provide technical assistance for the formulation of the Public Investment Programme (PIP). DFID is currently supporting capacity building in the Ministry of Finance. These cooperative efforts signal an increased willingness on the part of GVN to release information on public spending and to discuss priorities with donors and others.

The CPRGS is in some ways a continuation of this process. However, the document itself does not provide detailed information on spending priorities, and some of the figures provided are internally inconsistent. The confusion stems in part from the fact that the figures were derived from two separate sources. Most of the information provided on resource allocation was taken from the five-year plan. However, a second costing exercise was carried out with technical support from the World Bank. This mission was undertaken very late in the process and was carried out over a short period, and as a result the estimates for 2003 to 2005 that appear in the document are not well integrated with the 2001 to 2005 costings (Conway 2003, 50).

Evidence to date suggests that the CRPGS has not had a substantial impact on fiscal policy or priorities. The Public Investment Programme (PIP), which was approved seven months after the CRPGS, and prepared by the same department in MPI, does not reflect CPRGS priorities. The PIP refers to the CPRGS in a section on the role of ODA,

15 All budget categories related to national defence, including the wage bill of the military, are folded into other budget headings.
which suggests that GVN views the CPRGS as an exercise in aid co-ordination. The PIP also states rather bluntly that while the CPRGS and targeted anti-poverty programmes provide social targets, public investment must also meets the needs of national integration and defence:

In summary, on one hand at grass roots levels, investment capital will be focussed more on achieving targets with certain social means like national targeted programmes, or particularly the Comprehensive Poverty Reduction and Growth Strategy, which has been lately approved by the Prime Minister. On the other hand, continue investment is necessary for big and important projects in order to complete basic infrastructure system of the regions, inter-regions and for integration (for example Trans-Asia road, East-West corridor, border gate economic areas, main roads along and across the country), which are vital to the economic development and national defence and security of the country [sic] (Socialist Republic of Vietnam 2002b, 34).

The details of the programme emphasize the latter at the expense of the former. Large infrastructure projects, prestige projects in productive and social sectors, and investment in state-owned enterprises dominate the budget. Some of the larger items are shown in Table 3. The figures provided in the PIP are often difficult to decipher because the relative contribution of direct expenditure, state credits and SOE capital is for the most part not clearly specified. However, the table does demonstrate the high priority assigned to power projects, infrastructure, prestige projects and favoured state industries. The heavy reliance on state credits in the PIP is also apparent.

Table 3: Large items in the Public Investment Programme 2001-2005

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<thead>
<tr>
<th>Project</th>
<th>VND billion</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ho Chi Minh Road Phase I</td>
<td>5,770</td>
<td>State budget</td>
</tr>
<tr>
<td>Highway No. 6 Hoa Binh-Son La section</td>
<td>2,692</td>
<td>State budget</td>
</tr>
<tr>
<td>Cua Dat reservoir</td>
<td>1,800</td>
<td>State budget</td>
</tr>
<tr>
<td>Resettlement sites for Son La Hydropower project</td>
<td>1,000</td>
<td>State budget</td>
</tr>
<tr>
<td>Central Stadium</td>
<td>966</td>
<td>State budget</td>
</tr>
<tr>
<td>National Assembly and Ba Dinh Hall</td>
<td>1,500</td>
<td>State budget</td>
</tr>
<tr>
<td>37 power projects</td>
<td>66,758</td>
<td>State credit</td>
</tr>
<tr>
<td>Oil Refinery No 1 (Dung Quat)</td>
<td>9,850</td>
<td>State credit</td>
</tr>
<tr>
<td>Ca Mau fertilizer plant</td>
<td>5,040</td>
<td>State credit</td>
</tr>
<tr>
<td>Phu My fertilizer plant</td>
<td>7,200</td>
<td>State credit</td>
</tr>
<tr>
<td>Bac Giang fertilizer plant</td>
<td>4,200</td>
<td>State credit</td>
</tr>
<tr>
<td>14 cement factories</td>
<td>16,147</td>
<td>State credit</td>
</tr>
<tr>
<td>9 steel factories</td>
<td>5,189</td>
<td>State credit</td>
</tr>
<tr>
<td>9 sea ports</td>
<td>2,689</td>
<td>State credit</td>
</tr>
</tbody>
</table>

These figures can be compared to expenditures on the government’s targeted anti-poverty programmes shown in Table 4. In total these constitute about 11 percent of direct public investment over the five year period. Programme 135, which provides infrastructure for disadvantaged areas, takes up the largest share in this category, which reflects the importance of targeted programmes to the PIP.
Table 4: State Expenditures on National Targeted Programmes 2001-2005 (VND billion)

<table>
<thead>
<tr>
<th>National Targeted Programme</th>
<th>State budget</th>
<th>% Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poverty reduction and job creation</td>
<td>3,361</td>
<td>1.6%</td>
</tr>
<tr>
<td>Socio-economic development of extremely disadvantaged communes (Programme 135)</td>
<td>6,750</td>
<td>3.1%</td>
</tr>
<tr>
<td>Population and family planning</td>
<td>2,483</td>
<td>1.1%</td>
</tr>
<tr>
<td>Culture development</td>
<td>775</td>
<td>0.4%</td>
</tr>
<tr>
<td>Prevention of social ills, communicable diseases and HIV/AIDS</td>
<td>2,685</td>
<td>1.2%</td>
</tr>
<tr>
<td>Clean water and rural sanitation</td>
<td>1,350</td>
<td>0.6%</td>
</tr>
<tr>
<td>Education and training</td>
<td>4,060</td>
<td>1.9%</td>
</tr>
<tr>
<td>Five million hectares reforestation</td>
<td>2,234</td>
<td>1.0%</td>
</tr>
<tr>
<td>Total</td>
<td>23,698</td>
<td>10.9%</td>
</tr>
</tbody>
</table>

The evidence from the PIP therefore suggests that the CPRGS has not changed public spending priorities. According to a recent World Bank report,

> Despite representing a claim on almost one fifth of Vietnam’s GDP, the PIP remains basically a compilation of projects submitted by line ministries, provincial governments and General Corporations. The criteria used to select the projects to be undertaken, and the link between spending on investment and recurrent expenditures are weak at best (World Bank 2003c, 95).

Beyond the rhetoric of the CPRGS, the government still emphasizes targeted programmes in its anti-poverty strategy, and remains committed to investment in state-owned industries and large, prestige projects. These priorities are clearly articulated in the SEDS and five-year plans, which remain the basis of public investment decisions. Moreover, the PIP makes no effort to justify these investments on either efficiency or equity grounds, or in terms of the targets and objectives set out in the CRPGS.

Although progress in this area has been slow, it is important to bear in mind that the PRS process has succeed at least in linking ongoing discussions relating to public expenditure management to the issue of poverty reduction. The challenge for the future is to intensify efforts to increase the transparency of budget processes and to integrate public expenditures and the PRS process. Items at the top of the agenda include integration of capital and recurrent expenditure planning, routinization of medium term planning, the incorporation of off-budget accounts into the normal budget process and independent auditing of expenditures and outcomes.

4.4 Levers for Change

Policymaking in Vietnam is driven by two overriding objectives: political stability and rapid economic growth. These objectives are often complementary. As the post-war generation grows to maturity, the government increasingly derives its political legitimacy from the country’s economic performance and rising living standards. The relative political quiescence of the emerging urban middle classes can only be understood in this context. At the same time, political stability supports economic growth by reducing costs and investment risk and lengthening planning horizons.
But the stability and growth imperatives at times pull in opposite directions. For example, the pursuit of rapid economic growth implies that scarce capital and foreign exchange should be directed to projects that will generate the highest returns. Yet within the context of the one party state, the stability imperative requires that investment decisions consider the political and economic interests of specific regions, sectors, institutions and party factions. The expansion of state credits to prestige projects and unprofitable state-owned firms is a reflection of the need to balance these competing demands. Similarly, the government’s reluctance to apply strict economic criteria to public investment decisions at the central and provincial levels reflects the political necessity of coalition building within the party and state systems. MOLISA’s targeted anti-poverty programmes are also motivated by political concerns, and it is therefore unlikely that calls for more rational allocation of resources within these programmes will meet with immediate success.

Finding the appropriate balance between stability and growth is the central problem of contemporary Vietnamese political economy, and is likely to remain so for the foreseeable future. Some high-ranking officials appreciate that it will become increasingly difficult to paper over conflicts between these core objectives. The impact of David Dapice’s work on declining returns to public investment, and active discussion of the country’s rising capital-output ratio within party circles reflect these concerns (Dapice 2003). The call for early accession to the World Trade Organization is in part a political calculation that the imposition of an external authority—and the presumed costs and benefits of accepting these external rules—could strengthen modernizers within the party and government and help to overcome internal obstacles to reform. Such a strategy may be politically expedient in the short-term, but over the medium to long-term will almost certainly exacerbate tensions between the growth and stability imperatives. Forcing Vietnamese manufacturing firms to compete on level terms in world markets will favour private firms over the country’s lacklustre state-owned enterprises. Within the private sector, access to world markets will benefit large firms that are able to take advantage of economies of scale and scope, and to compete internationally on the basis of domestic market power. It is far from clear that the party is ready to accept the development of the Malaysian or Thai-style corporate conglomerates that are the likely result of these processes.

The contents of the SEDS and five-year plan reflect these main concerns and inconsistencies. The government remains committed to an economic strategy based on state-led industrialization and international integration under the political leadership of the Communist Party. Within these broad policy contours the party and government are willing to accept pragmatic compromises including legal recognition of private firms and an expanded role for representative institutions to the extent that such innovations contribute to the core goals of growth and stability. Even these relatively minor adjustments are contested within the party and government, with the result that implementation proceeds incrementally, erratically and over an extended period of time. The document discusses the critical issues of banking reform, explicit and implicit subsidization of state-owned enterprises, the rationalization of public expenditure and corruption. However, the underlying assumption of the SEDS is that these major reforms can be achieved within the general framework set out above. No attempt is made to assign priority to a set of key policies, resolve potential conflicts or specify trade-offs among the various objectives set out in the document.

It would be easy to downplay the importance of the SEDS and five-year plan. The tone of the documents is self-congratulatory and many of the explicit targets included in
them are unrealistic or exceedingly vague. But this would miss the point. GVN officials at all levels take the SEDS and five year plan seriously not because they are realistic, but because they are a tangible product of the domestic political process, and as such provide signals about the distribution of power and resources. The SEDS does not resolve conflicts, but it does set the agenda and indicate the direction of change.

From this perspective, it is hardly surprising that the contents of the CPRGS do not depart significantly from the SEDS and five-year plan. Timing was also a factor. The process of drafting the document began after the completion of the SEDS and five year plan. In view of the political importance of the national planning documents within the party-state system, the CPRGS could not rise above the status of ‘action plan’ assigned to it by the government. Although marginal policy changes were introduced, these were mostly additions to existing commitments and did not resolve conflicts inherent in the SEDS and five year plan. The CPRGS did not succeed in assigning priority to specific policies or realign public investment decisions. In short, the evidence suggests that the immediate impact of the CPRGS has been limited.

This is not to say, however, that the PRS will have no impact on the national planning system. The principles underlying the process are generally sound and salient to the problems of national planning in Vietnam. Many valuable lessons were learned during the process of drafting the document, and these could inform future rounds of national planning. These lessons fall into three broad categories:

**Participation:** The consultation mechanisms introduced by the PWG/PTF and during the formulation of the CPRGS itself—for example, participatory poverty assessments and commune consultations—were largely symbolic in that they were carried out in a small number of locations and over a short period of time. They were also not well integrated into existing representative structures and procedures. However, they could have potentially important demonstration effects. Participatory planning exercises and consultations provide a useful method of widening the scope of ‘opinion seeking’ beyond the usual confines of the party and state without superseding existing political structures. The challenge for the national planning system is to make the existing consultation procedures more transparent, and to link them more explicitly to the representative functions of local councils and the National Assembly.

**Growth-poverty reduction linkages:** The SEDS and CPRGS share the basic assumption that economic growth is the main source of poverty reduction. Evidence from the 1990s supports this view, but this does not necessarily mean that the relationship will remain as robust in the future. Rising levels urban-rural and regional inequality could generate growth patterns that are less pro-poor than the experience of the past decade. The effort to draw explicit linkages between growth and poverty reduction in the CPRGS—although not entirely successful—was important from the perspective of reinforcing key lessons for policymakers. The close relationship between economic reform, public administration reform, job creation and poverty reduction must be re-emphasized at every turn.

**Results orientation:** The emphasis of the CPRGS on clarifying objectives and targets, and specifying mechanisms for monitoring and evaluation of results, are of crucial importance in the Vietnamese context. MOLISA’s apparent willingness to work with donors to develop objective indicators to monitor progress towards poverty reduction targets is a promising sign, particularly in view of the ministry’s refusal to share the results of previous evaluation exercises with donors. Making wider use of the VLSS and carrying
out other representative sample surveys on a regular basis, for example enterprise and labour surveys, would represent a tremendous step forward. Integrating monitoring and evaluation into sectoral and provincial level planning procedures, and in particular linking provincial outcomes to sectoral plans and policy analysis, is urgently needed.

GVN, donors and INGOs are committed to ‘mainstreaming’ the CPRGS into national, sectoral and local plans by 2010. This implies that the objectives and targets listed in the CPRGS will be incorporated into national and local plans, and that government at all levels will commit itself to monitoring these targets based on objective information and evaluation procedures that increase the scope for public participation. It also suggests that public spending will be more pro-poor and transparent, and that representative bodies like the National Assembly and local councils will play a greater role in both determining spending priorities and monitoring outcomes.

The current strategy is to ‘roll out’ the CPRGS through local consultations and pilot implementation in selected provinces. However, these activities have begun slowly and the requisite high-level support has yet to materialize. Because the involvement of local authorities and sectoral agencies in the drafting of the document was limited, the ‘roll out’ could be misinterpreted as a set of central directives rather than the outcome of a participatory, consultative process. The CPRGS ‘roll-out’ is in essence a ‘top-down’ approach which is at odds with the basic principles of the PRS itself.

Reform of the national planning system will take time, and success is not guaranteed. The old planning system is far from perfect, but it does enjoy substantial political legitimacy. New generations of leaders will emerge who have the skills, professionalism and political will to make the system more participatory, pro-poor and results oriented. Other leaders, both young and old, will resist change in order to defend existing power structures and particularistic interests. Donors, INGOs and other outsiders will not have a direct impact on these domestic political dynamics. They can, however, make vital contributions in the form of dialogue, support for innovation and capacity building. The CPRGS and the ensuring ‘roll-out’ will not replace the protracted and arduous process of working for change on a province by province, sector by sector basis. Much of this work will be done with reference to the SEDS rather than the CPRGS. This should not be interpreted as a failure of the PRS process as long as the underlying principles of the PRSP inform these efforts.

Donors generally recognize that the highest payoff will come from patient, long-term commitment to institutional change at the central, sectoral and provincial levels. At the central level, support is needed for capacity building in public expenditure management and in fostering linkages between representative structures such as the National Assembly and administrative agencies responsible for resource allocation. Operating at this level is high-risk, high reward: existing structures are deeply entrenched and previous efforts indicate that progress can be exceedingly slow. However, even small advances in public sector resource allocation and oversight can have a tremendous national impact.

The sectoral level offers some of the most fruitful opportunities for change. In some line ministries significant administrative and analytical capacity already exists, and therefore examples of good practice are more likely to be taken up and replicated. This of course varies significantly from agency to agency. Line ministries need help in establishing links between sectoral plans and representative institutions at the central and local levels, and in building capacity in areas such as policy analysis, financial programming and
monitoring and evaluation. Monitoring and evaluation at the provincial level must be linked to sectoral planning and policy formation. With new skills and some political will, sectoral agencies could effectively redistribute power within the planning system to achieve more participative, results-oriented outcomes.

The greatest challenges remain at the provincial level, particularly in the poorest provinces where existing capacity is weakest. Success at this level will require a long-term commitment to individual provinces in order to build trust, administrative capacity and the self-confidence necessary to devolve authority to nascent representative structures.

At all three levels, we can expect change to appear slowly and in unpredictable ways. This in part reflects the dynamic relationship between the growth and stability imperatives, and the ways in which these imperatives are filtered through the particularistic interests of central, sectoral and local agencies. It also reflects the strong national ownership of planning processes in Vietnam and the self-confidence that comes from past success. These factors suggest that resistance to change will be greatest at the centre, while capacity to change will be weakest at the local level.

5. Conclusions and Policy Implications

Vietnam has established an impressive track record of growth and poverty reduction over the past decade. The government has skilfully managed the transition from central planning to a mixed economy, and is well positioned to build on these successes in the future. Unlike Eastern Europe and Central Asia, Vietnam managed to post impressive growth rates during the transition period despite the absence of substantial flows of overseas aid. Since the beginning of the reform period in the late 1980s, Vietnam has moved from a food deficit to surplus, penetrated a wide range of export markets for agricultural products and manufactured goods, restored price stability and increased the share of savings and investment in national income. Living standards for the vast majority of Vietnamese have improved dramatically, and the government, largely on its own initiative, has dedicated an increasing share of government expenditure to poverty reduction and social welfare. Few low-income countries can match these important achievements.

The situation in Vietnam therefore differs markedly from that found in most other developing countries that have completed PRSPs over the past three years. Although Vietnam is still a poor country, it is neither aid dependent nor highly indebted. The government has for the most part pursued prudent—if not always consistent or transparent—fiscal and monetary policies, and has adjusted capably to external shocks such as the East Asian financial crisis. Vietnam has re-integrated rapidly into the world economy, and has diversified exports (both in terms of products and destinations) in a relatively short period of time. Although substantial scope remains for policy reform, the government has mapped out the general direction of change on its own accord and has taken concrete steps towards realizing its stated objectives. The government has consistently assigned a high priority to poverty alleviation, and linked poverty reduction to growth long before the advent of the PRSP.

These rather unique initial conditions shaped the aims and content of the PRS in Vietnam. From the donors’ perspective, the main objectives of the PRS were not to initiate reform, but rather to sustain the momentum of policy change, to increase the accountabil-
ity and transparency of the decision-making process and to improve aid co-ordination and effectiveness. The government’s main motivation was to secure concessional financing from the World Bank and IMF. The mismatch between these competing objectives was largely resolved in favour of the latter. Vietnam’s growth and poverty reduction record over the past decade, combined with the country’s manageable external debt and healthy export growth, afforded the government an unusual degree of bargaining power vis-à-vis the multilateral organizations. The government was aware the importance that the IFIs attached to the success of the PRS process in Vietnam, and was willing to accommodate the demands of these institutions as long as they remained largely at the level of rhetoric rather than substance. The government skilfully adopted the language of the PRS and consented to symbolic forms of participation without relinquishing control of either the process of the contents CPRGS itself. As we have documented in this report, the CPRGS essentially reproduces the main points of the SEDS.

The fact that the PRS process in Vietnam has not met all of its ambitious objectives does not mean that the effort was misguided or wasted. The CPRGS process in Vietnam was an unprecedented attempt to improve the quality of national planning and to achieve greater focus on the closely related objectives of rapid economic growth and poverty reduction. Donors and international NGOs united behind the process as a mechanism to increase accountability and transparency, to enhance aid co-ordination and to improve linkages between macro-policy and poverty reduction goals. The process introduced a number of innovations in the Vietnamese context, including participatory poverty assessments and local consultations, explicit targets and formal monitoring and evaluation systems, government-donor-NGO fora to exchange information and intensify the policy dialogue and collaborative planning mechanisms at the central level.

These are important gains. Improving the quality of national planning is vital to sustaining and accelerating the rate of economic growth and poverty reduction in Vietnam. Greater openness and transparency is needed to enable the government to use its limited resources more efficiently and to link macro-economic policy more explicitly to poverty reduction and living standards. Economic criteria must be integrated into the decision-making process to redirect public resources to areas generating the highest social returns. Systematic monitoring and evaluation based on explicit targets are needed to increase accountability and reduce waste. Public participation through strengthened formal channels of representation would help make the system more responsive to changing conditions at the local, regional and national levels.

This report has argued that the CPRGS should be viewed as a small part of a longer-term process of institutional change. Owing to Vietnam’s long traditional of national planning and strong sense of country ownership, we can expect this process to proceed sporadically and over a long period of time. Nevertheless, important lessons have been learned that could influence future planning efforts in three broad areas:

**Participation:** The use of participatory poverty assessments and commune consultations in the CPRGS process was largely symbolic, but could have potentially important demonstration effects. The challenge for the future is to make the existing consultation procedures more transparent, and to link them more explicitly to the representative functions of local councils and the National Assembly.

**Growth-poverty reduction linkages:** The effort to draw explicit linkages between growth and poverty reduction in the CPRGS communicated an important planning princi-
ple to high-level GVN officials. Although huge gaps remain between stated objectives and policy instruments, the CPRGS at least succeeded in making these gaps explicit. These lessons must now be carried to decision-makers at the sectoral and local levels, and to representative institutions and civil society.

Results orientation: Some of the most important lessons of the CPRGS relate to the document’s emphasis on clarifying objectives and targets, and specifying mechanisms for monitoring and evaluation. One cannot overemphasize the importance of these lessons in the Vietnamese context. Incorporating specific, monitorable targets within national plans is crucial if the planning process is to achieve the closely related goals of realism, accountability, transparency and efficiency. Making wider use of the VLSS and other systematic surveys would represent a tremendous step forward. Building monitoring and analytical capacity at the sectoral and local levels is vital. Reducing the role of the administrative reporting system is urgently needed.

The extent to which these lessons are incorporated into future SEDS, five-year and sectoral plans depends largely on domestic political dynamics. However, donors and civil society groups can play an important role. Numerous opportunities exist to strengthen participation, growth-poverty linkages and results-orientation at the central, sectoral and provincial levels. Donors and NGOs can invest in capacity building, promote representative structures and participatory mechanisms, conduct collaborative research emphasizing the macro-policy roots of poverty reduction efforts and support innovation in provinces and sectors where they have established relationships of trust on the basis of long-term commitment. Donors should also take every opportunity to stress the importance of integrating formal representative structures into the process, and should refrain from privileging ad-hoc exercises in public participation.

In some cases the CPRGS will prove useful to these efforts. Some provinces and line ministries will be receptive to collaborative programmes that aim to ‘mainstream’ the CPRGS into five year plans and other strategy documents. In other agencies and localities, however, the CRPGS will never attain the political salience of the SEDS and other national plans. Continued reference to the CPRGS could prove counterproductive in this context, particularly when the CPRGS is seen as either a ‘donor’s document’ or document imposed on local government and line agencies by central planners.

Ultimately, the status of the CPRGS itself is less important than the primary aim of communicating core PRS principles and encouraging policymakers to mainstream these principles into existing planning mechanisms. Despite its weaknesses, the CPRGS contributed to this goal. However, the CPRGS itself is a product of the central government and donors, and enjoys political legitimacy at the sub-national level only to the extent that it reiterates the SEDS. The planned CPRGS ‘roll-out’ is therefore not an adequate substitute for the protracted and arduous process of reinforcing momentum for change at the sectoral and local levels.
<table>
<thead>
<tr>
<th>Objective</th>
<th>SEDS/Five Year Plan</th>
<th>CPRGS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic growth</strong></td>
<td>GDP in 2010 double 2000 level (implies average annual growth of 7.2%). GDP growth 7.5% per annum 2001-5. Industry and construction to grow 10-10.5% per annum to 2010. Agriculture, fisheries and forestry to grow by 4-4.5% per annum to 2010. Services to grow by 7-8% per annum to 2010.</td>
<td>GDP in 2010 double 2000 level (implies average annual growth of 7.2%). Industry and construction to grow 10-10.5% per annum to 2010. Agriculture, fisheries and forestry to grow by 4-4.5% per annum to 2010. Services to grow by 7-8% per annum to 2010.</td>
</tr>
<tr>
<td><strong>Trade</strong></td>
<td>Export growth at more than twice the rate of GDP growth (i.e. 15% per annum) to 2010. Average annual increase in exports 16% 2001-2005. Seek eventual admission to WTO.</td>
<td>Export growth at more than twice the rate of GDP growth (i.e. 15% per annum) Prepare for WTO accession negotiations Reduce non-tariff barriers. Remove all imported goods from AFTA temporary exception list by 2003.</td>
</tr>
<tr>
<td><strong>Savings</strong></td>
<td>Increase the savings ratio.</td>
<td>Domestic savings to exceed 30% of GDP</td>
</tr>
<tr>
<td>Clean water</td>
<td>Increase the average income of the lowest quintile of the population by 40% (over 2000 levels) in 2005, and by 90% by 2010.</td>
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<td>----------------------------------------------------------------------------</td>
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<tr>
<td>Provide clean water to 60% of the population by 2005 and 90% of the rural population by 2010. Upgrade water supply in Hanoi, Ho Chi Minh City, Hai Phong, Danang by 2005.</td>
<td>80% of urban and 60% of rural population have on average access to a minimum of 50 litres of clean water per person per day by 2005. 85% of rural population has access to 60 litres of clean water per day by 2010.</td>
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<tr>
<td>Sanitation</td>
<td>50% of households have toilets that meet ‘basic sanitation standards’ by 2005. 75% of households have toilets that meet ‘basic sanitation standards’ by 2010.</td>
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<tr>
<td>Upgrade waste treatment in Hanoi, Ho Chi Minh City, Hai Phong, Danang by 2005.</td>
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<tr>
<td>Roads</td>
<td>80% of communes accessible by “appropriate road surface structure” with 30% asphalt or concrete.</td>
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<tr>
<td>Complete upgrading of Highway No. 1 and the Ho Chi Minh Highway. Construct roads to over 500 communes are not yet accessible by automobiles.</td>
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<tr>
<td>Power</td>
<td>90% of communes supplied with electricity by 2005.</td>
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<tr>
<td>Develop gas-electricity-urea clusters in Phu My and the southwest. Accelerate construction of Son La hydropower facility. Complete Rao Quan irrigation and hydroelectric system. Start construction of hydroelectric plant on Ba Ha River. Increase national power output to 44 billion kwh and capacity to 11,400 MW, or 12% increase per year.</td>
<td>90% of communes supplied with electricity by 2005.</td>
<td></td>
</tr>
<tr>
<td>Job creation</td>
<td>Generate 1.4-1.5 million new jobs per year. Raise proportion of employed labour time in rural areas from 75 to 80% by 2005 and to 85% by 2010 Reduce urban unemployment to 5.4% by 2005 and below 5% by 2010.</td>
<td></td>
</tr>
<tr>
<td>Raise proportion of employed labour time in rural areas from 75 to 80% by 2005 and to 85% by 2010 Reduce urban unemployment to 5.4% by 2005 and below 5% by 2010.</td>
<td>Generate 1.4-1.5 million new jobs per year. Raise proportion of employed labour time in rural areas from 75 to 80% by 2005 and to 85% by 2010 (75 and 80%, respectively, for women). Reduce urban unemployment to 5.4% by 2005 and below 5% by 2010.</td>
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<tr>
<td>Job training</td>
<td>Increased share of ’trained’ workers in the labour force to 30% by 2005 and 40% by 2010.</td>
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<tr>
<td>Increased share of ’trained’ workers in the labour force to 30% by 2005 and 40% by 2010.</td>
<td>Increased share of ’trained’ workers in the labour force to 30% by 2005 and 40% by 2010.</td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>Raise share of under-threes attending nursery school to 15% in 2005 and 18% in 2010 Raise share of 3 to 5 year olds attending kindergarten to 58% by 2005 and 67% by 2010.</td>
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<tr>
<td>80% lower secondary and 45% upper secondary school enrolment by 2005. Increase secondary enrolments by 7% per annum. Increase enrolments in colleges and universities by 5% per</td>
<td>Raise share of under-threes attending nursery school to 15% in 2005 and 18% in 2010 Raise share of 3 to 5 year olds attending kindergarten to 58% by 2005 and 67% by 2010.</td>
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<tr>
<td>Category</td>
<td>Goal</td>
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<tr>
<td>Fertility</td>
<td>Reduce birth rate to 1.2% by 2005 and to 1.1% by 2010. Stabilize population at 88-89 million in 2010.</td>
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<tr>
<td>Child and Maternal Health</td>
<td>Reduce infant mortality rate to 30 per 1,000 live births in 2005. Reduce under-five mortality rate to 35 per 1,000 live births in 2005. Reduce under-five malnutrition to 25% by 2005 and 20% by 2010. Reduce maternal mortality rate to 90 per 100,000 live births in 2005.</td>
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<tr>
<td>General health issues</td>
<td>Increase life expectancy to 70 by 2005 and 71 by 2010. To produce 40% of the market for medicines domestically by 2005.</td>
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<tr>
<td>Culture</td>
<td>78% of communes to have cultural centre by 2005. Cultural and sports facilities to be available to most communes by 2010. Each person will have 4 new books per year on average by 2005. 90% of households have access to Vietnam Television by 2005. Reach target of 7-8 telephones per 100 people. Expand telephone coverage to all communes.</td>
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<td></td>
<td>Increase primary school net enrolment rate to 97% by 2005 and 99% by 2010. Increase primary school completion rate to 85-95% by 2010. Increase lower secondary net enrolment rate to 80% by 2005 and 90% by 2010. Increase upper secondary net enrolment rate to 45% by 2005 and 50% by 2010. Eliminate illiteracy among women under 40 years of age by 2010.</td>
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<td></td>
<td>Reduce birth rate to average substitution rate for the whole country by 2005 and for ethnic minorities by 2010.</td>
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<td></td>
<td>Reduce infant mortality rate to 30 per 1,000 live births in 2005 and 25 by 2010. Reduce under-five mortality rate to 36 per 1,000 live births in 2005 and 32 by 2010. Reduce under-five malnutrition to 25% by 2005 and 20% by 2010. Reduce share of low-weight births (less than 2.5 kg) to 7% in 2005 and 5% in 2010. Reduce maternal mortality rate to 80 per 100,000 live births in 2005 and 70 in 2010.</td>
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<td>Halve the rate of HIV/AIDS transmission by 2010. By 2005 100% of inter-commune health clinics have doctors and 100% of commune clinics have midwives. By 2010 80% of all communes will have doctors; 100% of villages have primary health care staff.</td>
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<tr>
<td>Environment</td>
<td>Increase forest cover to 38-39% of land area in 2005 and 43% by 2010. To solve the problem of waste treatment in urban areas by 2010. To limit the use of hazardous chemicals in agriculture.</td>
<td>Increase forest cover to 38% of land area in 2005 and 43% by 2010. By 2010 no urban slums or temporary rural housing. Ensure that 100% of waste water is treated in towns and cities by 2010. Ensure that 100% of solid waste is collected and properly disposed of in towns and cities by 2010. By 2005 air and water to achieve national standards.</td>
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<tr>
<td>Social protection</td>
<td>Move towards universal insurance system.</td>
<td>Revise labour code to provide for unemployment insurance based on contributions from workers, employers and the state.</td>
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<tr>
<td>Gender equity</td>
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<td>40% of new jobs allocated to women by 2005. 50% of new jobs allocated to women in 2010. Increase role of women in agencies, sectors and enterprises by more than 3-5% over ten years. Names of husbands and wives should both appear on land use rights certificates before 2005. Eliminate gender gap in primary and secondary education by 2005.</td>
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<tr>
<td>Governance</td>
<td>Encourage and support non-profit organizations. Expand direct democracy at the grassroots, ensuring that the population has easy access to public agencies and can monitor public officials. Financial disclosure at all levels of government and asset declaration of leaders.</td>
<td>Develop legal framework for civil and community organizations at the local level. Improve two-way flow of information on plans, budgets, and financial resources for development projects and programmes in local areas.</td>
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<tr>
<td>Legal reform</td>
<td>Develop real estate market and ‘to cover the land use right as stipulated by law’. Allow labour to move to jobs anywhere in the country.</td>
<td>All urban households to have land use rights certificates by 2010. Create conditions for the poor to have easy access to free legal services. Implement revised land law and streamline property transfer procedures. Review household registration system to ensure that migrants have access to social services and to generate labour market flexibility.</td>
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<tr>
<td>Reform of State-Owned Enterprises</td>
<td>State enterprises renewed and developed ensuring efficiency. Build competitive state corporations in petroleum, electricity, coal, aviation, railways, shipping, telecommunications, mechanical engineering, metallurgy, chemicals, building materials, international trade, banking, insurance, auditing and others. Transform SOEs into limited liability or joint-stock companies. Ensure full accountability and autonomy of SOEs. Abolish state mechanism of subsidizing SOEs. Give priority to workers in purchasing shares. Gradually make shares available to domestic and foreign investors. Transfer, sell, contract or lease small enterprises that the state does not need to retain.</td>
<td>New decree governing public utilities to make them financially independent. Give more power over investment decisions to firms. Inefficient SOEs that are not scheduled for equitization, sale, transfer, subcontract or lease to be merged, dissolved or declared bankrupt. Newly formed SOEs to have ‘shareholding company status’. 100% state ownership for new SOEs only when industry requires state monopoly, no investors are interested or beyond the capacity of non-state investors.</td>
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<tr>
<td>Business climate</td>
<td>Inefficient SOEs that are not scheduled for equitization, sale, transfer, subcontract or lease to be merged, dissolved or declared bankrupt.</td>
<td>Provincial People’s Committees should publish master plans for land use, urban and infrastructure development. Enactment of Competition Law to prevent monopoly pricing. Streamline customs and technical inspection procedures. Revise enterprise and bankruptcy law, pricing and most favoured nation ordinances (2002). Uniform and consistent financial accounting practices implemented regardless of firm ownership. Gradual development of equity market.</td>
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<tr>
<td>Banking reform</td>
<td>Radically reduce direct interference by administrative measures in production and business activities. Restrict and control monopolies. Reduce and then phase out policies that differentiate between domestic and foreign firms. Gradual development of equity market. Simplify administrative procedures. Revise trade, bankruptcy, labour, credit institutions, state budget and land laws.</td>
<td>Establish debt administration and asset management companies to address non-performing loans. Central bank to strengthen regulatory framework, inspection and supervision. Weak joint-stock commercial banks will lose licenses and be merged with other banks.</td>
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<tr>
<td>Small and medium scale enterprises</td>
<td>‘Vigorously develop small and medium scale enterprises’ Develop legal framework to support SMEs. Establish state credit funds for SMEs. Preferential investment credit for SMEs. Preferential taxes for SMEs. Tax incentives for SMEs for research, technical change and hiring poor workers. Establish national training and job creation fund. Simplify accounting, tax registration and tax payment systems for SMEs particularly in remote areas.</td>
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Appendix II: Selected List of Persons Interviewed

Ms. Than Thi Thien Huong  Senior Programme Officer, DFID Hanoi
Ms. Nguyen Nguyet Nga  Senior Economist, World Bank Hanoi
Mr Nguyen Tien Phong  Head, Poverty and Social Development Cluster, UNDP
Dr Nguyen Hai Huu  Director General, Social Protection Department, Ministry of Labour, Invalids and Social Affairs
Dr Duong Thu Huong  Vice-Chairwoman of the Economic and Budget Committee, National Assembly and former Deputy Governor of the State Bank of Vietnam
Mr Allessandro Pio  Principal Programmes Economist, Asian Development Bank Vietnam Resident Mission
Ms Carrie Turk  Senior Poverty Specialist, World Bank
Mr Pham Anh Tuan  Director, Centre for Rural Progress (local NGO)
Ms Kanni Wignaraja  Deputy Resident Representative, UNDP
Prof. Tran Xuan Gia  Chairman, Prime Minister’s Research Commission on Economic, Social and Administrative Reform; former Minister of Planning and Investment
Dr Susan J. Adams  Senior Resident Representative, International Monetary Fund
Mr Ngo Huy Liem  Chief Technical Advisor, GTZ/Ministry of Labour, Invalids and Social Affairs project on Institutional Capacity Strengthening for the Vietnam Poverty Alleviation Strategy
Ms. Nguyen Thi Lan Huong  Vice Director, Institute of Labour and Social Science, Ministry of Labour, Invalids and Social Affairs
Dr Dang Kim Son  Director, Information Centre for Agriculture and Rural Development, Ministry of Agriculture and Rural Development
Dr Do Kim Chung  Vice Director, Institute of Agricultural Economics (MARD)
Dr Cao Viet Sinh  Director, National Economic Issues Department, Ministry of Planning and Investment
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Dapice, David

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Dollar, David

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World Bank  
World Bank and UNDP  