

## **Dealing with the Donors**



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## **The Politics of Vietnam's Comprehensive Poverty Reduction and Growth Strategy**

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The struggle against famine, like other important tasks, requires determination and strenuous efforts, readiness for sacrifices, and oneness of mind from the entire people.

– Ho Chi Minh, 1945

# Main Arguments

Vietnam entered the global scene with the inauguration of its *doi moi* (“renovation”) economic reforms and the collapse of socialist regimes in the former Soviet Union and Eastern Europe. With the conflict between Vietnam and Cambodia settled, the donors rushed to Vietnam. The US established full diplomatic relations with the Vietnamese government in 1994.

Vietnam, due to its late opening to the West, avoided the structural adjustment programs (SAP) imposed on highly indebted countries in the 1980s as conditionality for credits; instead it went through a national-led adjustment. The development cooperation with the World Bank and the IMF opened in 1993-4 by SAP type of policies, but a new policy framework launched in the late 1990s was governed under the formula – the Comprehensive Development Frame. The CDF introduced flexible policies emphasising active partnerships with recipient countries, increased output (rather than procedure), poverty reduction and social sector development. This new strategy, however, required that the recipient country submit a Poverty Reduction Strategy Paper (PRSP) to qualify for lending from Bretton Woods institutions. The approach is generally referred to as the “Post-Washington Consensus,” although some observers criticise the changes as cosmetic and rooted in the basic neo-liberal approach.

While Vietnam’s debt is considerable, it is relatively smaller than that of most African countries, and a considerable part of that debt is owed to Russia, a legacy of Soviet-era cooperation.

Thanks to rapid economic growth and booming exports in the 1990s, Vietnam’s debt remains manageable. Accordingly, Vietnam is has never been considered a highly indebted poor country (HIPC) and never obliged to submit a PRSP to get funding from Bretton Woods institutions. Vietnam nevertheless volunteered a PRSP to lock in access to loans it considered necessary to sustain high economic growth. One can, of course, speculate as to whether continued borrowing will eventually lead to an unsustainable level of indebtedness, but the fact central to the following discussion is that Vietnam presently ranks among the largest recipients of multilateral funding.

Vietnam’s Prime Minister Phan Van Khai signed the final PRSP in May 2002. Our study focuses on the larger implications for the socio-political configuration created

by this new form of cooperation between the donors, the government and international NGOs (INGOs).

When the Partnership Process launched in 1999, the World Bank assumed leadership in managing this new type of forum. Strong leadership of the Bank and an expanding program and staff in Vietnam have helped facilitate cooperation.

The Vietnamese government embarked on large reform programs in the mid-1990s. Foreign investments grew quickly before the Asian Crisis in 1997 and continued at a steady pace thereafter. The donor community also expanded rapidly (multilateral, bilateral and INGOs). By end of the 1990s, the importance of the donors matched that of direct foreign investment. The government and the party began to outline five-year plan and ten-year socio-economic strategy for approval at the 9th Party Congress. The government and the party tended to treat development as a means to growth that overcomes economic difficulties and increase incomes. In fact, despite high economic growth, Vietnam's reforms have reduced social security in some cases and increased dependence on international cooperation. To correct the situation, recent development themes include the notion that people have to help themselves to get out of poverty and that the state should be less involved in organising economic and social life.

The Partnership Process, which initially had a barely perceptible impact in government circles and even less on the broader community, has today become a "second-track" policy forum, paralleling government and party policy. The process has, however, not penetrated the fairly closed governance system.

The new players, the INGOs, have assumed important roles in debates with the government and the large donors. They have been instrumental in the preparation of participatory poverty assessments and in providing support for statistics-based living standard surveys. Indeed, despite the government's scepticism of such qualitative data, the donor forum produced in late 1999 a major report entitled *Attacking Poverty*. The report found that, while poverty had been reduced at an impressive rate since the early 1990s, it remains a serious problem. Moreover, the poorest people and regions have rarely benefited much from poverty reduction schemes.

Transnational donors have also helped give broader connotations to the traditional Vietnamese notion of poverty. Rather than strive for a universal definition of poverty, new donor approaches assert that poverty reduction needs to take place in a free society with an open market and a competitive business environment. Further, social equity needs to be secured by the development of social systems (e.g. education, health and infrastructure).

Actors in the Partnership Process may be divided into three groups: the government, the trans-national donors and the non-state sector. Although the lines between these groups sometimes blur, for the purposes of this study the non-state sector basically consists of INGOs and local NGOs (LNGOs). The emerging business sector also belongs to the non-state sector, but it had little involvement in the Partnership discussion and thus receives little discussion here. A core group from each of the three sectors took the lead. In the government realm, the Ministry of Planning and Investment (MPI) took over the leading role from the Ministry of Labour, Invalids and Social Affairs. The Ministry of Finance has also recently emerged as a central player. Generally speaking, these core agencies take the process more seriously than those peripherally involved with development.

The World Bank has taken the lead among the multilateral donors, concealing the UNDP, previously the leading donor coordinator, to a secondary role. The IMF and the Asian Development Bank (ADB) are also active, but keep a much lower profile than the World Bank. Bilateral donors submit to the process as they see no advantage to staying outside this new dynamic. Some, particularly the British Department for International Development (DfID), have assumed leading roles through to their strong policy focus in development cooperation. Many bilateral agencies have endorsed the CPRGS as a platform for further development cooperation and strive for harmonisation of their efforts with the Vietnamese government planning and donors. Nevertheless, they often remain accountable to separate systems and targets of cooperation.

The INGOs now directly influence policy discussions, led by the advocacy-trained INGOs (mainly from the Anglo-Saxon countries). The INGOs, however, wear two hats; they are simultaneously donors and non-state sector entities. Thus, they are reluctant to criticise the system in Vietnam or the Partnership Process, but they represent or substitute to a certain extent the non-state sector, i.e. LNGOs, in the Partnership Process.

In the final phase of the Partnership Process, LNGOs were invited by the World Bank to take part in the Poverty Task Force, which, in principle, gave them access to the policy discussion. Obviously, one can ask whether the INGOs already substitute for the LNGOs to such an extent that the LNGOs are effectively crowded out of the process, particularly in participatory poverty assessments. Here, we merely note that if the conditions for local organisations had been present, they would have likely appeared earlier and been more influential in Vietnam.

A decade of globalisation and economic reforms paved the way for changes in the Vietnamese political configuration, while the “Partnership Process of the PRSP” opened up

a new space for a number of actors, especially at the central level. At the local level, it is still too early to tell if the PRSP process will bring changes as to date it has mainly been a policy project and is only beginning to be implemented. Moreover, outside certain circles, there is little awareness of the CPRGS as a policy document. The participatory processes have an impact in the localities where they take place, but will probably not be internalised and accordingly remain part of the second-track policy.

Vietnam is distinct from many other countries in its strong political culture embedded in the one-party system. Its communist party has traditionally promoted “consensus governance” and a “multi-polar power system.” Thus, while Western political classifications categorise Vietnam as a traditional one-party state, the more complex reality is a peculiar form of legitimised consensus governance, where important decisions are typically approved only after extensive consultancies at several administrative levels.

This political culture makes it difficult to impose ideas and policies from the outside and gives Vietnamese administrators discretion on measures to include or exclude. Foreign policies and ideas are typically reformulated to support existing policies. Indeed, the CPRGS itself has been subsumed somewhat by this political culture. Of course, some concepts in the “poverty language” accord well with party ideals and the present situation of Vietnamese society. Thus, we argue that, while the two-track policy still prevails, the foreign policy track will ultimately have the greater impact. The procedures in the PRSP process, as well as in general loan procedures, demand changes to administrative and budgetary organisations to increase transparency.

A new alliance in the Partnership Process appears to be taking shape. The modernisation-oriented MPI and the World Bank increasingly seem to understand each other’s paradigms and economic policies and exhibit willingness to benefit from such cooperation. What is questionable is whether the MPI generally represents the government or the administration. Traditional differences among Vietnam’s central bureaucracy institutions and between the central administration and local provincial administrations may work to impede change.

The notion of local, non-state sector political forces is still novel and the poor, and more specifically, the poorest, have been under-represented by such organisations. Now new types of local organisations to improve the economic and social life of local farmers are beginning to appear. The PRSP process in Vietnam seems to have supported the opening of a space for INGOs and LNGOs. With increasing globalisation and new-found influence, these groups are poised to become major forces in solving local problems.



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# Acronyms

<b>CAS</b>	Country Assistance Strategy
<b>CBO</b>	Community Based Organisation
<b>CDF</b>	Comprehensive Development Frame
<b>CECI</b>	Canadian Centre for International Studies and Cooperation
<b>CEMMA</b>	Committee on Ethnic Minorities and Mountainous Areas
<b>CG</b>	Consultative Group (Donor cooperation with the government)
<b>CIDA</b>	Canadian International Development Cooperation
<b>CIEM</b>	Central Institute for Economic Management
<b>CONCETTI</b>	Consulting Centre for Technology Transfer and Investment
<b>CPRGS</b>	Comprehensive Poverty and Growth Strategy
<b>CPV</b>	Communist Party of Vietnam
<b>Danida</b>	Danish International Development Activity
<b>DfID</b>	Department for International Development (UK)
<b>DSEI</b>	Department for Synthesis Economics Issues (MPI)
<b>DSI</b>	Development Strategy Institute
<b>GTZ</b>	Deutsche Gesellschaft für Technische Zusammenarbeit
<b>HEPA</b>	Hunger Eradication and Poverty Alleviation Strategy
<b>HYBA</b>	Hanoi Young Business Association
<b>ICCO</b>	Interchurch Organisation for Development Cooperation
<b>IDA</b>	International Development Assistance, World Bank's soft window
<b>IMF</b>	International Monetary Fund
<b>INGO</b>	International NGO
<b>I-PRSP</b>	Interim Poverty Reduction Strategy Paper
<b>JBIC</b>	Japanese Bank for International Cooperation
<b>JICA</b>	Japanese International Development Cooperation
<b>LERES</b>	Centre for Legal Research and Services, quasi-NGO
<b>LMDG</b>	Like-minded Donor Group
<b>LNGO</b>	Local NGO
<b>MARD</b>	Ministry of Agriculture and Rural Development
<b>MDG</b>	Millennium Development Goals
<b>MOF</b>	Ministry of Finance
<b>MoLISA</b>	Ministry of Labour, Invalids and Social Affairs
<b>MoSTE</b>	Ministry of Science, Technology and Environment
<b>MPI</b>	Ministry of Planning and Investment
<b>NA</b>	National Assembly
<b>NGO</b>	Non Governmental Organisation
<b>PPA</b>	Participatory Poverty Assessment
<b>PACCOM</b>	People's Aid Coordinating Committee
<b>PPLG</b>	Poverty Policy Learning Group
<b>PRGF</b>	Poverty Reduction and Growth Facility
<b>PRSC</b>	Poverty Reduction Support Credit
<b>PRSP</b>	Poverty Reduction Strategy Papers

<b>PTF</b>	Poverty Task Force
<b>PWG</b>	Poverty Working Group
<b>RDSC</b>	Rural Development Service Centre
<b>SAP</b>	Structural Adjustment Program
<b>Sida</b>	Swedish International Development Agency
<b>SNV</b>	The Netherlands Development Organisation, NGO-umbrella
<b>SOE</b>	State-owned Enterprise
<b>UNDP</b>	United Nation Development Programme
<b>VGCL</b>	Vietnam General Confederation of Labour
<b>VLLS</b>	Vietnam Living Standard Survey
<b>VUSTA</b>	Vietnam Union of Science and Technology Association
<b>WB</b>	The World Bank
<b>WDR</b>	World Development Report
<b>WTO</b>	World Trade Organisation
<b>WVI</b>	World Vision International



# Foreword

This study is one of five studies in a comparative project on the politics of Poverty Reduction Strategies in the South, coordinated by Jeremy Gould of the University of Helsinki.<sup>1</sup> The Vietnamese case study team comprises national and international researchers: Dr. Tran Ngoc Ca, an economist at NISTPASS; Dr. Nguyen Dinh Tuyen, an economist and independent consultant; and Dr. Irene Nørlund, team leader and an economic historian and anthropologist affiliated with the Department of International Development Studies at Roskilde University and Nordic Institute of Asian Studies in Denmark. The team was assisted by Nguyen Vo Hung of NISTPASS, and Hoang Minh Duc and Mai Thi Ha Phuong of B&H Consult.<sup>2</sup>

The empirical part of this study builds on the impressive volume of research and consultancy efforts in recent years in Vietnam, as well as Vietnamese studies and documents.<sup>3</sup> We supplement these with independent interviews of core persons and agencies in the Vietnamese development arena. Two caveats, however, should be mentioned. Time constraints prevented us from doing adequate fieldwork for local studies, and many interviewees wished not to be quoted. Thus, we do not generally refer to individual interviewees.

The report retains the perspectives of the authors, because we value the conceptual differences of persons trained under Vietnamese and, Western traditions. We allow these differences to stand as long as they are not crucial to our thesis.

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<sup>1</sup> Funding for the Vietnamese study was generously provided by the Swedish International Development Agency. Thanks to Greg Moore for careful language editing. The other cases are presently Honduras, Malawi, Tanzania and Zambia. Further information on this research program and its findings are available at [www.valt.helsinki/kmi/policy](http://www.valt.helsinki/kmi/policy). For printed versions of the country reports on Tanzania and Vietnam, please contact the Institute of Development Studies at [ids-finland@helsinki.fi](mailto:ids-finland@helsinki.fi).

<sup>2</sup> The contact information for the main researchers are: Irene Nørlund <[irene-anders@hn.vnn.vn](mailto:irene-anders@hn.vnn.vn)>, Tran Ngoc Ca <[catn@nistpass.gov.vn](mailto:catn@nistpass.gov.vn)>, and Nguyen Dinh Tuyen <[B&Hcorp@hn.vnn.vn](mailto:B&Hcorp@hn.vnn.vn)>.

<sup>3</sup> Cao 2002 (see references); Hoang 2002.

This study speaks to several broader governance issues:

- The impact on the configuration of political society,
- The dynamics of state interaction with non-state stakeholders,
- The impact on the structure of state power,
- The effect on the institutionalisation of state capacity, and
- Donor accountability.<sup>4</sup>

Our first aim is to consider the implications of “transnationalisation processes” in Vietnam. For the benefit of those unfamiliar with Vietnam’s development history and PRSP processes, we make frequent reference to the past decade and to the outlining of the PRSP documents which in their final version came to be called the Comprehensive Poverty Reduction and Growth Strategy, or CPRGS. Our second objective is to include the perspectives of Vietnamese institutions and Vietnam research. Third, we consider interagency differences among Vietnamese actors and the donors (although much of the available information is anecdotal and poorly documented). Fourth, we examine the core issue of the collaborative research – the roles of International NGOs, which have been very active lately and are increasingly powerful agents in the development arena in the Post-Washington Consensus era. Finally, we raise broad issues rarely discussed in studies commissioned by development agencies.

This collaborative research highlights several of Vietnam’s special characteristics for donors:

- Vietnam is not a HIPC country, despite its considerable indebtedness, and debt servicing is not as critical an issue for Vietnam as for many countries.
- The Vietnamese economy is highly dynamic.
- Donors see Vietnam as a successful example of the PRSP process.
- The country is still officially a socialist country, where the communist party plays a central role and has a history of strong national emphasis.

Because of these special characteristics, the outcomes of poverty reduction processes are likely to differ from outcomes of countries in Africa and Latin America. We therefore ask: Is there something to be learned from the Vietnamese case for other developing countries

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<sup>4</sup>The project was originally entitled Consultation and Empowerment: Governance implications of Participatory Public Policy formulation in five developing countries. A collaborative research programme.

undergoing similar processes? Is success as defined by the leading actors exaggerated or focused on the positive sides of the new development agenda? Finally, are the structures in Vietnam so different that they are inapplicable elsewhere?



# I Introduction

The average annual growth rate of its gross domestic product (GDP) was 7.5 percent, rising to 8.4 percent during the period between the two living standards measurement surveys (in 1992–93 and 1997–98). In the context of rapid growth, the poverty reduction process has obtained significant achievements. After ten years, the poverty incidence according to national poverty standards was reduced to only two-thirds of the 1990 rate. By international poverty standards, Vietnam's poverty incidence was reduced to just half of the 1990 rate. Vietnam is considered by the international community to rank among the best-performing countries in terms of poverty reduction.

Introduction to the CPRGS, May 2002

## Setting the stage

Vietnam's Prime Minister Phan Van Khai endorsed the Comprehensive Poverty Reduction and Growth Strategy (CPRGS) in May 2002. It was the culmination of a long process of negotiations between the donor community and the Vietnamese government. The World Bank initiated and guided the negotiations.

The CPRGS is essentially a political agreement between donor and governments along the lines of Poverty Reduction Strategy Papers (PRSP processes) in other countries. Some 70 countries to date have signed PRSP agreements with Bretton Woods institutions in order to qualify for credit facilities. The process in Vietnam is well documented, thanks, among other things, to a huge effort by the World Bank to post the process documents on several websites. Vietnam, however, does not belong to the group of highly indebted poor countries (HIPCs), which partly accounts for the relatively minor interest among the INGOs in Vietnam in the debate on debt relief and poverty reduction.

Vietnam has achieved numerous successes in poverty reduction, and these successes have altered Western perceptions of the country. As recently as the 1980s, Vietnam was re-

garded as an aggressive intruder into neighbouring countries with a hard-core communist leadership that viewed governance as little more than imposition of unilateral decisions from the centre. Today, Vietnam is a “darling” of the donor community, praised for its responsiveness to donor carrots and sticks for bringing Vietnam into the mainstream of the global development agenda. Most presentations in the World-Bank-motivated Partnership Process contain self-congratulatory language about the success of the negotiations and advances in poverty reduction by both the donor community and the government.<sup>5</sup>

Which is not to say Vietnam’s successes are less than spectacular. The country has achieved one of the most comprehensive reductions of poverty compared with most other developing countries. Vietnam’s poverty rate declined from 58 percent to 37 percent between 1992 and 1998. Recent indications are that this decline is slowing and that social differentiation is on the increase. The percentage of the population living below the poverty level was estimated at 32 percent in 2002; the Living Standard Survey of 2002 puts the figure even lower at 29 percent.<sup>6</sup> While increasing social differentiation is the trend elsewhere, Vietnam is a rare example of equitable development.

The CPRGS in Vietnam is rooted in the Comprehensive Development Framework (CDF) originally formulated by the president of the World Bank and the acting manager of the IMF in 1997. The idea reflected an attempt to impose, after more than a decade, a new order on spending of official development assistance (ODA) in the troubled waters of SAPs focused on macroeconomic liberalisation and minimising (or, at least, moderating) the role of the state. The CDF was followed with the outlining of a PRSP. The World Bank took a leading role in Vietnam in mobilising the donor community and government agencies in the Partnership Process. The Vietnamese government justified its participation in the dialogue by saying it needed to establish a framework to qualify for lending from Bretton Woods institutions. The formal prerequisites for entering negotiations on a concessional loan agreement required an interim PRSP (I-PRSP) outlined by the government in a number of development objectives and embarked into certain reforms in the style of structural adjustment approaches. In Vietnam’s case, the government had to produce an I-PRSP by 2001 to obtain

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<sup>5</sup> Recent examples include the press release from Vietnam Consultative Group Mid-year Meeting, Sapa, June 19-20, 2003, devel-vn discussion group, June 21, 2003; the presentation of Vietnam’s Foreign Minister Nguyen Dy Nien on poverty reduction success in Vietnam and the effective implementation of the CPRGS at the Asian Cooperation Dialogue Meeting in Chieng Mai, June 21-22, 2003. Vnnews-1, June 25, 2003.

<sup>6</sup> The figures were released at the Sapa Mid-term CG meeting, June 2003.

new lending from IMF and to qualify for further lending from the World Bank. Among the conditions imposed by the World Bank, the Partnership Process between donors and the government was to include consultations with society at various levels with a view to creating broader “country ownership.”

While the government authored the early drafts, and the partnership process soon came to embrace a large number of donors, including INGOs, as well as government ministries and organisations working on behalf of the Vietnamese. The vocabulary of international development, where poverty reduction is at the core of development targets, was utilised in the consultation process. The first round of the PRSP process ended with the formulation of the CPRGS, and inaugurated a new era of the global development cooperation in the spirit of post-conditionality. Terms such as “long-term,” “holistic development,” “country ownership,” “country-led partnership,” “result orientation” and “improved aid relation and donor coordination” evidenced that the authors of at least some policy documents were fluent with the multilateral donor vocabulary.<sup>7</sup> Given this use of development language, we might well ask how much the PRSP document is really owned by the Vietnamese government, and which parts of the government and non-state sector have been empowered.

The 9th Congress of the Communist Party was originally slotted to be held at the end of 2000, but delays pushed the Congress back to April 2001. This may have been due in part to ongoing discussions of the “Strategy for Socio-economic Development in 2001–2010” and the “Five-year Plan for Socio-economic Development from 2001 to 2005.” Several drafts of the strategy and plan were published. In the party cells and mass organisations in every unit in the country, the strategies were discussed for several years before the final outline was generated. An outline of the CPRGS was also suggested in the ten-year strategy. Despite the consultations of government agencies and a fairly large number of stakeholders at various levels, a fairly limited circle of persons (mostly those involved in formulation and consultation) is aware of the CPRGS. The document is practically unknown at the provincial and communal levels, and even foreign to members of the Vietnamese development research community.<sup>8</sup> In contrast, the ten-year strategy, because it is a central party document, has been circulated and discussed widely. The Grassroots Democracy Decree, promulgated in

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<sup>7</sup> Jerve et al. 2002, pp. 2–3.

<sup>8</sup> The process to distribute and implement the CPRGS started in autumn 2002. A new round of seminars took place during summer 2003. This process is expected to gradually increase awareness of the strategy, but our team still finds it valid to say that there is a long way to go and it is unlikely the process will ever achieve a status similar to that of a national plan.

1998, is a similarly well-known policy document. A number of national strategies, including the “Poverty Alleviation Strategy 2001–2010” outlined by the Ministry of Labour, Invalids and Social Affairs (MoLISA), are also familiar, because poor Vietnamese people have benefited from the access to credit and reduced school fees and taxes. Altogether, six national sector strategies have been approved for the period 2001–2010.<sup>9</sup> Finally, enactment of the CPRGS merely required the signature of the prime minister. It did not have to be passed by the National Assembly, because the CPRGS is treated under the Vietnamese constitution as a revision of an existing approved document based on the ten-year strategy.

The internalisation of the new transnational policies in Vietnamese society affects not only the non-state sector; they also have profound implications for the state. Perhaps the most critical question for us relates to how Vietnamese society will be changed through transnationalisation. These changes may not only be due to specific policies, but also catalysed by them.

## Themes and organisation

This study has several goals. Its overarching aims are to review and analyse the processes around the CDF, I-PRSP and the CPRGS, as well as present a critical view of the results with respect to the broader policy implications and outcomes.

The major actors on the scene are:

- the state or government,
- the donor community, including the multilateral and bilateral public development organisations, and
- the non-state sector, consisting of non-uniform entities from INGOs, the national NGOs, community organisations and the private sector.

Analysing policy in Vietnam is a non-trivial task because the sphere of policy is internalised through the communist party. What is called “civil society” in the West is normally considered within the party’s web. Outsiders sometimes even find it difficult to depict the Vietnamese “state” from a theoretical perspective as the country transforms from a centrally

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<sup>9</sup> Health Care, Rural Water Supply and Sanitation, Reproductive Health, Nutrition, Action programme for children, Master Plan on Public Administration Reform (Jerve et al. 2002, p. 10). Other national plans include population, progress of women and forestry.

planned economy to a market economy. In any case, the state clearly plays a strong, although diminishing, role in Vietnamese economic life. The party remains the decisive agent in state's development policy orientation. A "market economy with a socialist orientation" is the official formulation, indicating that the government intends to retain an important role in economic life.

The economies of Eastern Europe (many of which will soon be part of the EU) are referred to as "transition economies." But transition from what to what? Certainly, Vietnam's economic situation and institutions in the early 1990s were quite different from, say, Slovakia or Lithuania, when it embarked on transition. Indeed, even if the start and terminus of transition could be defined, where along the transition path should Vietnam be placed? Transformation may a better word for our purposes here, since it less rigidly indicates changes are taking place without determining how they will be manifest. For this reason, we make abundant reference to the empirical level to get a taste of the present complicated state of affairs in Vietnam.

In addition to our overarching goal of analysing the policy implications and outcomes of PRSP/CPRGS processes, our study also attempts to substantiate its conclusions at the general level.

First, the above-mentioned processes raise the question of how the party's role has changed since the inauguration of *doi moi* reforms in the 1980s and 1990s. The party-state of the 1960s and 1970s has turned into a differentiation of the role of the party and state. An introspective, anti-imperialist Vietnam has become a nation that is increasingly outward looking, exemplified by its participation in regional and global economic and trading organisations. We ask, therefore: How far has the Vietnamese state succeeded in becoming a developmental state like South Korea, Taiwan and Singapore, and how much it has transformed itself from a protectionist state to a neo-liberal state? Moreover, how do these changes coincide with the renewed cooperation with foreign countries and donors in economic policy and development cooperation? Chapter 2 starts with a brief overview of regional perceptions in Africa, Latin America and East/Southeast Asia with respect to the role of state, donors and society, and then discusses changes taking place in Vietnam from the perspectives of global impacts and local transformation.

We next look at the Vietnamese polity. What is the character of the Vietnamese political scene? Who are the main actors in transnationalising partnership processes? We also deal with the Vietnamese historical context for cooperation with international donor community, and the national structures in which policy processes are embedded.

Due to the inclusive structure of Vietnamese society, civil society has a limited role. Civil society is part of the Vietnamese policy arena, but it cannot be analysed in the same way as in Western societies. Vietnam's political culture of consensus is essentially a mix of decades of socialist policies and a Confucian culture of hierarchy. We suggest that the political space in Vietnam has been opened to greater participation of actors at the grass-roots level than earlier, but that space is not necessarily the same as would be found in a democracy in a Western sense. Rather, it is a type of "organised democracy" or "consensus governance" with several points of power concentration. In Chapter 3, we examine how the political processes are opening up under the guidance or tacit acceptance of the party. We ask: How do transnational partnerships influence this process?

Third, we enquire about the motives, policies and ideologies of the transnational donor community. How was the international donor community's formulation of the Post-Washington Consensus translated in the Vietnamese context and in the formulation of the CPRGS? The World Bank was the leading donor agency in the CPRGS process, but the other multilateral and bilateral donors were both marginalised and invigorated by the Partnership Process. What issues were discussed among the donors vis-à-vis the CPRGS? Were the critical voices mainly found among the bilateral donors or INGOs to the Partnership Process of the CPRGS? Who were the individuals representing society-at-large in the consultations?

In Chapter 4, we consider the special position of the INGOs, which have been included in the Partnership through the PRSP processes. The dominant INGOs in Vietnam (particularly, Oxfam UK, Action Aid and Save the Children UK) have been surprisingly silent in public about the PRSP in Vietnam compared to the critical voices heard in many other countries. However, in the Partnership Process, the INGOs have acquired a prominent role in political discussions. Thus, have "transnational private aid agencies"<sup>10</sup> opened the way for a more inclusive discussion in Vietnam of the policies involved in the CPRGS or whether their presence works to exclude other actors? Are they involved in power politics at the local level, directly or indirectly, and, if so, what has happened?<sup>11</sup> Are national NGOs gaining an increasing role in the partnership discussions?

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<sup>10</sup> Jeremy Gould and Julia Ojanen develop this concept in Gould and Ojanen 2003, p. 21 and chap. 6. The concept derives from the idea of "transnational actors" suggested by Philip Cerny 2001, p. 4.

<sup>11</sup> The study intended from the beginning to include more discussions related to the local level PRSP process, but realised in the end that it would demand a more thorough research and space than permitted here. It became clear during this study that the CPRGS was only beginning to be discussed at the local level, so discussion of its impacts may be premature.

Fourth, we consider the impact of partnership negotiations on national institutions. Chapter 5 gives an overview of the structural organisations and institutions in Vietnam involved in the Partnership Process in provided. Who gains and who loses in the Partnership Process? At the central level, power increasingly lies with the Ministry of Planning and Investment and the Ministry of Finance, so what is the emerging role of the Ministry of Labour, Invalids and Social Affairs, which traditional took the lead in the poverty reduction policies and planning? Is it a rival or a co-operant in the CPRGS? What are the positions of other ministries? How are decision taken about the distribution of funding, and will the CPRGS be able to influence these decisions? Where are the popular forces in the decisions? For instance, although procedurally allowed, was it appropriate for the prime minister to sign the CPRGS without first getting the approval of the National Assembly? What are the impacts of the CPRSG at the local level with the Public Administration Reform as a central policy.<sup>6</sup> Will the Partnership Process add to or reduce corruption at various levels?

Fifth, what are the special characteristics of the PRSP process in Vietnam? Chapter 6 presents the main arguments and selected ideas of the party's five-year plan and the ten-year socio-economic strategy, followed by the interim-PRSP (the first document in the PRSP process) and the final document, the CPRGS itself. The policies of the PRSP process elsewhere (e.g. Tanzania) have emphasised the social sector,<sup>12</sup> whereas the policies in the CRPGS let the government stress growth and the donors stress the social sector. For the sake of comparative analysis of the differences and similarities of the PRSP processes in several countries, an analysis of the contents of the main documents in the process is included with more detailed analyses of the theoretical assumptions and various trends in the development thinking included.

In Chapter 7, we go into detail on the overarching question of how Post-Washington Consensus policies might impact Vietnam. Many of the openings of political space for new actors on the political scene in Africa (e.g. Tanzania) have occurred in Vietnam, but in a different context. Simultaneously, coalitions of powerful groups are taking shape. These include central government institutions, transnational donors and INGOs. A central question, therefore, is whether they take over space for possible national policies and national organisation and diminish the space for comprehensive development agendas as suggested by the case of Tanzania. In Malawi, too, civil society seems to have had real impact on the PRSP process. The chapter also considers the changing roles of various actors on the scene.

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<sup>12</sup> Gould and Ojanen (2003, p. 30) find that Tanzania's PRSP emphasises job creation in the social sector over the fundamental productive sectors.

We conclude in Chapter 8 with a summary of the study outcomes and give some perspectives for the future. Why has the Partnership Process – and specifically, the transnationalisation process – been so successful in Vietnam? Vietnam’s national agenda is strongly oriented towards economic growth, yet the CPRGS stresses both poverty reduction and economic growth. Is the national agenda thus comprehensive enough to face the forthcoming challenges caused by pressures of Vietnam’s fairly drastic reforms? Finally, we ask whether the partnership of liberal policies between the government and the donors will – as everyone hopes – actually benefit the poor.

## **Theoretical reflections**

As part of a group of parallel studies, this study is challenged from the standpoint of consistency in theoretical and methodological approaches. While we would wish for the application of a common theoretical frame, there are inevitable differences in interpretation and application of theoretical tools.

The donors themselves increasingly put forth Vietnam as a case for new programs and justify their stance with comparative evaluations. The research community and INGOs, in contrast, rarely treat Vietnam from a comparative perspective. Vietnam, while poor, is neither pauperised nor indebted to the same degree as many African countries. Its economic progress, particularly in the 1990s, has led to a fairly enthusiastic reaction in the donor community, because the positive results apparently have been achieved in part through their efforts.

The sub-studies here emphasise the globalisation perspective over the national perspective. We do not, however, go into extensive discussion of types of globalisation, preferring to focus instead on determining whether the globalisation perspective is gaining ground in the national arena and whether the role of the state is being subsumed by globalising forces.

We also shift the attention of our discussion from the movement of international capital (which obviously is important for economic development) to the “iron triangle” of policy formulation: the state, the donors and the non-state sector. While non-states actors are traditionally multinational companies or big businesses, the non-state actors in Vietnam’s case are mainly transnational or international NGOs and the local embryonic non-governmental sector of NGOs and other organisations. Big business in Vietnam is highly regulated by national legislation and has stayed out of the policy arena of the CPRGS. Indirectly it played a role through the donors.

The donors include multilateral donors, bilateral donors and the INGOs. These are all part of the transnational aid complex that moves funds and ideas across borders. The

INGOs have functioned *de facto* as proponents of civil society as they are better represented than national actors in the drafting of the CPRGS and the consultation process. The INGOs have also, to a degree, assumed the role of representing local authorities in their efforts to push pro-poor agendas.

Most of the dialogue in the Partnership Process, however, has taken place between the fairly exclusive government circles and the multilateral and bilateral donors.

## Hypotheses

A basic assumption of this study is that the narratives of the donors and the state tell different stories. There are also several sub-discourses on outcomes, particularly on the donor side, among and within donors and between the donors and the INGOs. On the government and party side, there is near universal agreement on the importance of generating economic growth (even if there are differences on how such growth should be achieved). In recent years, the gap between the narrative of the government and the donors has narrowed with a more neo-liberal consensus emerging. The question, however, is whether this narrowing is reflected in the broader society.

The second basic hypothesis of this study is that Vietnam's political culture differs from societies where the development language internalised neo-liberal ideologies at an early stage. In Vietnam, the socialist vocabulary and ideals derive from socialist ideals and the traditional values of a long-established culture and Confucian values of honesty and trust. Moreover, even if neo-liberal thinking and individualism penetrate the political culture, Vietnamese culture itself is fairly well insulated by language. English is essentially the language of the technocratic elite and not used much in the popular culture. Also distinctions might be hard to grasp as, say, the Marxist notion of development of productive forces and neo-liberal ideas of growth coincide to some degree.

Some of the trends highlighted in Jeremy Gould and Julia Ojanen's parallel study of PRSP processes in Tanzania point to a new policy elite dissociated from political processes, including those of representative democracy.<sup>13</sup> They note the "specific social interests and professional ideals upon which the policy partnership is based encourage an enclavic and self-referential view of policy alternatives and act to exclude critical social and political perspectives on development processes."<sup>14</sup>

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<sup>13</sup> Gould and Ojanen 2003, p. 16.

<sup>14</sup> *Ibid.* p. 12.

Maaria Seppänen's Honduras PRSP study suggests similar findings:

“Certain characteristics of Honduran social formation makes the country especially prone to technocratisation and depolitisation of policy formulation. Here again we come to the Honduran class formation, which is to a large degree maintained by the very selective structure of education. There is a very small and very uniform ‘epistemic community’ of economists who all know each other, have gone to the same school, studied in the same faculty and...who work at all three poles of the triangle of policy formulation. They are in the state administration, in civil society (NGOs) and as local staff at donor’s resident representation.”<sup>15</sup>

We ask if similar policy trends are identifiable for Vietnam.

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<sup>15</sup> Maaria Seppänen 2003, pp. 61–62.

## 2 The developmental policy context of the PRSP

### **State, donors, society and regional perceptions**

How the state, internationalisation and transnationalisation are discussed depends on where you are. We acknowledge this before considering analyses generated on three continents from a common perspective. These differences reflect configurations of state and society and the interaction of foreign actors and national governments in diverse historical venues.

#### Latin America

Latin America's concessional state model is based on concessions given to US economic interests, e.g. US fruit companies in the 19th century, and later, cooperation between upcoming national bourgeoisie and foreign capital. Cooperation between local decision-makers and foreign interests were often so closely linked that foreign interests were considered part of domestic politics.

Latin America's lack of modernisation and economic development is thus usually blamed on economic dependence on Western powers. This dependency persisted even as the military dictatorships that arose in the 1970s and 1980s were replaced in the 1990s with "reformist" neo-liberal states. When reforms were launched in Honduras, for example, the military remained important actors in economic life during economic liberalisation and democratisation.<sup>16</sup> On the other hand, the Honduran political system also entered a phase of pluralisation, whereby state functions were assumed in part by new actors, including the multilateral donors (the World Bank and IMF), bilateral donors, INGOs and national NGOs.

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<sup>16</sup> Seppänen 2003, p. 23.

Honduras' weak economy qualified it as a candidate for HIPC debt rescheduling. Its negotiations on debt reduction in 1995 and the subsequent PRSP formulation in the late 1990s were characterised by strong donor involvement and limited NGO participation. The donors assumed an important role in policy formulation of country strategies, even as politicians and representatives of civil society were kept to the sidelines. Observes Seppänen, "The "post-conditionality" approaches opened political space for the non-state sector, but were carried out in a fairly ambivalent way as to its proclaimed partnership, and with the national civil society partly excluded.'

## Africa

Most African countries were colonial states until after WWII. The big push in decolonisation did not occur until the 1960s and 1970s. We might talk therefore about varieties of post-colonial states, e.g. nations with a socialist orientation based on liberation wars, strongly nationalist countries or states with liberal orientations. Yet, even with these variations, most African states have remained weak and had difficulties in establishing strong bourgeoisies. Most have also experienced anaemic economic development. When the debt crises deepened in the 1980s, international donor groups, led by the Bretton Woods institutions, promoted heavy-handed neo-liberal policies under SAPs.

African states, in turn, were left with limited space in which to avoid the conditionalities inherent in development solutions presented by the donors.

Dependency perspectives have had a strong impact on analytical frames. The prospects for democracy much debated in Latin America in the 1970s and 1980s were subsequently taken up in Africa.<sup>17</sup> For obvious reasons, the new approaches looked to influencing foreign donors, because foreign capital inflows, with few exceptions, are limited in African countries. The multilateral and bilateral donors financed structural adjustment programs based on neo-liberal policies that featured balanced state budgets, limitation of state interventions and privatisation, dismantling of state ownership, downsizing of the state administration, and trade and financial liberalisation. In many countries, the reduced investment from SAP policies and the crushing debt burden resulted in reduced investment in education and health services. These measures were particularly harmful to the interests of the poor. SAPs became increasingly linked to the debt rescheduling negotiations for HIPCs, most of which are today found in Africa.

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<sup>17</sup> Beckman 1992.

The donors grew concerned about weak governments when SAPs failed. Social degradation, exclusion and slow growth seemed intractable problems. A foundation for new policies matured and different approaches were launched in the late 1990s with the World Bank in the driver's seat. "Post-conditionality" policies favoured flexibility, an orientation to reducing poverty and achieving results through ownership and partnership (see Chapter 4 for further discussion). In the African context, the social sectors moved into the spotlight. This is well illustrated in the case of Tanzania, a "post-developmental" state dealing with new policies that stress consensus and partnership with the donors and a "post-conditional" spirit. Post-developmentalism implies a retreat from nationalist programs of industry-based accumulation.<sup>18</sup> On the policy side, the neo-liberal and populist characters of both the present regimes in Latin America and Eastern Europe were held forth as examples. In the African context, some observers see "populist neo-liberalism" as an outcome of the "transnationalised national boundaries," where transnational actors legitimise their penetration of domestic politics as being in the interests of "the poor."<sup>19</sup>

While many donors and government actors see the new partnership as a great step forward with poverty-oriented policies, and expect improved results, recent analyses comment on the dissociation of politicians from representative democracy. These policies were mainly negotiated by IMF representatives and finance ministry technocrats.<sup>20</sup> Thus, while the policy language is pro-poor and emphasises the social sectors, the non-state sector has only limited involvement in determining policy. From a constructivist perspective, the outcome suggested by Gould and Ojanen is that the operational language of the transnational donors has replaced "development" with "governance" and "performance," while "growth" has become "capacity building."<sup>21</sup> The winners in the new alliances are the donors and their local partners, and not the poor, who typically need jobs more than education. As in Latin America, the outcome in Africa has been the depoliticisation of the development agenda.

## Southeast Asia

In Southeast Asia, most countries gained independence through violent decolonisations in the 1940s and 1950s. Nationalistic and socialist-oriented regimes arose. The last countries to gain independence – Vietnam, Laos and Cambodia – experienced protracted wars against the

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<sup>18</sup> Gould & Ojanen 2003, p. 30.

<sup>19</sup> *Ibid.* pp. 27–32.

<sup>20</sup> *Ibid.* p. 15.

<sup>21</sup> *Ibid.* p. 83.

French colonial forces up to 1954. Both Malaysia and the triangle of Vietnam, Laos and Cambodia became targets of attempts by the Western powers to contain the communist insurgencies in the 1960s and 1970s. The Democratic Republic of Vietnam (North Vietnam) installed an internationally recognised government, while the Philippines, Thailand and Indonesia faced strong internal oppositions of communist and socialist movements. Meanwhile, the East Asian economies of South Korea and Taiwan, plus the two traditionally trade ports, now independent city-states, Singapore and Hong Kong, broke through the firewall of import substitution and increased the value-added component of export goods, much as Japan did decades earlier.

The discussion about neo-colonial states thus evolved into a debate on “the developmental state versus the neo-liberal state.” Neo-liberal economists pointed to the development successes of free-market policies, while the proponents of the developmental state, spearheaded by Robert Wade (1990) and Alice Amsden (1989), suggested that specific state interventions were key to understanding economic successes. Wade, for example, found that “corporate-political arrangements,” the “corporatist state,” and even authoritarian features, can contribute to the economic successes by governing the market. Economists with neo-classical approaches responded that liberating the market and reducing state intervention optimises resources and promotes economic growth. This second paradigm underlies the “Washington Consensus,” and is embodied in the SAP policy tool, which was held out to governments as a precondition to World Bank and IMF lending. As an example, Thailand’s government readily embraced the SAP, because it sought liberalising solutions – a trend distinctly different from Africa. The Thai economy boomed until the Asian Financial Crisis in 1997 exposed the weaknesses of a global-dependent economy, based on cronyism and real estate speculation. Other countries such as Malaysia protected themselves to some extent from foreign shocks and were less hard-hit by the Asian Crisis. Vietnam never adopted a SAP and was barely touched by the crisis, mainly because its currency controls were still in place.

On the policy front, the debate pitted the necessity to democratise as a precondition to economic growth against the need to retain the authoritarian state as the optimal provider of conditions for economic development.<sup>22</sup>

This debate is fundamentally different from the African discussion because of the importance of industrialisation, which brought employment and increased incomes throughout the region. The donors were relatively less important to the national agenda, even as large sums for stabilisation poured into Thailand, Indonesia and the Philippines in the 1980s and foreign

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<sup>22</sup> Huntington 1991.

investment boomed in Southeast Asia in the 1990s. These governments were comparatively stronger than those in Africa. The selected liberalisation of the East Asian “Tigers” and later countries in Southeast Asia was inspired by neo-classical free market ideas, but lacked the full consent of their nationalist governments. A political space was opened for non-state sectors in the Philippines and South Korea in the 1980s, and Thailand and Taiwan in the 1990s, when their (often) military dictators stepped down under popular pressure. Indonesia followed in the wake of Suharto’s fall in the 1990s with a pluralist political system, whereas Singapore and Malaysia maintained their authoritarian regimes. The Asian Crisis, however, brought in the Bretton Woods organisations as national banks had to be bailed out in Thailand, South Korea and Indonesia. In return, these governments had to accept tough conditions to qualify for IMF lending.

The poorest countries in the region – Vietnam, Laos, Cambodia, Burma and upcoming giant China – are all transitional states. Legacies of anti-colonial and anti-imperialist victories of the communist parties and party states, centrally planned economies and the Cold War gave these countries a different venue of access to the world market and donor cooperation.

First, the invisible ideological walls tumbled with the end of the Cold War because of mutual interests in economic rapprochement. This was particularly beneficial to donors and national governments.

Second, countries involved in regional conflicts – particularly Vietnam and Cambodia – had to find a *modus vivendi* that would allow the US to permit Western donor involvement through the Bretton Woods institutions and other Western development agencies.

Third, the Vietnamese government had to consider internal reform processes geared towards establishing a plural economy and a market for the exchange of goods. From the Western perspective, the Vietnamese state was often seen as an authoritarian or corporatist state attempting to function as a developmental state. This view is imprecise, given that the requirements for functioning as a developmental state were not in place (e.g. there was no significant private sector for the state to support or direct as in South Korea). Further, a corporatist state does not incorporate particularly pluralistic features that allow it to avoid conflicts between interest groups and promote continuity in institutional forms facilitating the economic development. Instead, Vietnam was a transitional state that started to open in the late 1980s, but with some similar features to that of a corporatist state. The new actors on the scene included private business and other non-state economic entities, foreign enterprises, multilateral and bilateral donors, the INGOs and the national or local NGOs, all under strict state regulation.

With the promotion of the Post-Washington Consensus at the end of the 1990s, the importance of reducing poverty and promoting equity increased. “Growth with equity”

emphasised equitable distribution of resources, making markets work, decentralisation of administration, improved aid management through country ownership, and participatory processes as suggested through the CDF. Inclusion of the marginalised elements of society (women, children and ethnic minorities) was also emphasised. The catchword became “poverty reduction.” The CDF approach put a stronger emphasis on equity and governance, while toning down the neo-liberal approach. A manifestation of the new approach is found in World Bank’s *World Development Report*, published with the same title (but not to be confused with) Vietnam’s report *Attacking Poverty*.<sup>23</sup>

Vietnam’s I-PRSP was formulated during a worldwide attempt to assess poverty in about 20 countries under the World-Bank-funded initiative *The Voices of the Poor*, which was a precursor to the global *Attacking Poverty World Development Report*. Participatory poverty assessments were carried out as input to the Vietnamese process of partnership at the local initiative in Vietnam. The findings of the PPAs supported the *Voices of the Poor* initiatives and manifested increased globalisation of ideas and information.

### **Vietnam: state and transnationalisation**

The change of party and state policy in Vietnam since the reforms of the early 1980s, the introduction of *doi moi* reforms of the mid-1980s, and the more fundamental reforms of the late 1980s represent a slow change towards acceptance that growth should be achieved through the market and not through central planning. The party leadership wanted growth; the only question was how growth was to be achieved. The new policy deliberately sought to use the market and global exchange to increase the wealth of society, while maintaining an independent line of development vis-à-vis foreign interests. The Vietnamese government did not per se accept the neoclassical paradigm, rather the paradigm accorded quite well with Marxist themes such as “development of productive forces.” The theme stressed since the 1990s is development of a “multisector commodity economy operating under the market mechanism, with state management and along the socialist line, in short, a socialist-oriented market economy,”<sup>24</sup> i.e. a basically liberal approach augmented by considerably stronger state and party interventions than envisioned under the Western approach.

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<sup>23</sup> World Bank 2001. Development aid is discussed on p. 192 ff. The CDF was officially announced in 1999.

<sup>24</sup> “Political Report ...” 2001, p. 32.

The government and party's accommodation with globalisation includes acceptance of the idea that the path to growth goes through integration in the international global community. However, the policy to change to the use of market as the main instrument is not a decision that can be totally controlled. At the point where the doors opened for transnational contacts and increased globalisation, new economic and social relations and mechanisms were introduced that were partly out of reach of the political sphere. The global flows of capital goods, services, and funds connected with the transnational donors enforced changes in markets and institutions. The population was quick to react new opportunities, but as new diversified activities multiplied, so did social and environmental problems. For a traditional party-state, geared to a simply organised society with a low level of economic activity, it was impossible to handle these new diversified activities without establishing new procedures. The state apparatus (while positive in principle to change) was unsure as to how change should be achieved.

Moreover, a new social phenomenon emerged. With the break up of the cooperatives and the weakening of state entities, household took over the role as the most important organising unit. A household makes its own survival strategies and uses all means available, including those outside the state system, to survive. Today, this close household system is beginning to break up as the population begins to search for income outside the context of limited agricultural holdings.

The dominance of the nation state has been challenged both from above (world market prices and international cooperation forcing the state to be more flexible) and from below (at the grassroots level, where social and economic activities demand the adjustment of state policies). However, governance is strengthened at the medium level, where the rule of law can be applied consistently.

Some scholars predict that globalisation will result in a fading away of the nation state and leave a network of cities dominating the world.<sup>25</sup> Others, like sociologists Anthony Giddens and Manuel Castells, see the power of the nation state in decline. Castells argues that the nation state is losing power, but not necessarily its influence.<sup>26</sup> While this may sound like word play, the notion points to a real problem, i.e. nation states must submit to higher authorities when cooperation takes place in larger fora, and simultaneously must give up

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<sup>25</sup> Taylor & Flint 2000.

<sup>26</sup> Castells 1997. For his discussion of the concept of globalisation, see vol. I, chapter 2, and vol. II, p. 244, note 4. As for the state losing its power, see vol. II, p. 305-7.

influence at the grass-roots level, because new social structures based on markets and information generate new social phenomena and loosen traditional close networks. This does not mean that the nation state is powerless and without influence, however. As noted, it may increase its strengths in other respects.

The tendencies outlined above apply to many, if not most, countries. Globalisation does not necessarily mean a loss of influence by the government, but rather a change in the government's ability to influence society. The authoritarian state, or quasi-developmental state, obviously faces painful difficulties in giving up power and perhaps even more distress from changing power relations within the system (which is inevitable in building up a modern state structure).

Vietnam is not yet "globalised." For example, it is not integrated into the international currency system (which protected the Vietnamese currency during the Asian Financial Crisis), or a signatory to major free trade agreements. The pegging of its currency, the dong, to the US dollar, is a decision of the government, not an obligation. However, this will change when Vietnam joins the WTO (which the government has been pushing for in recent years). From the perspective outlined above, it appears as if the changes in Vietnam's economic and social policies are at least partly determined through global trends in the 1990s. Like countries in Latin America and Africa, Vietnam has liberalised and opened its doors, and at the same time apparently opened a political space for non-state forces.

At the national level, the Vietnamese view is that the policy of the state and party is changing. From the donor perspective, the state is giving in to transnational forces, e.g. adopting the global "poverty agenda." At any rate, the impact of globalisation on changing policies should be noted.

The debate over whether the Vietnamese state retains or surrenders control of core areas of economy has been most sharply contested with the donors in four areas:

- reform of state-owned enterprises (SOEs),
- banking reform,
- private sector reform, and
- administrative reform.

Initially, the Vietnamese state attempted to maintain an independent policy and hold on to power by refusing to comply with the donors. However, after years of stiff resistance to reforms promoted by the Washington (and Post-Washington) Consensus, it seems as if the

government – or at least certain groups within the government – has begun to comply with the recommendations of the donors in the four main policy areas noted above. Is this due to the Partnership process?<sup>27</sup> Have new types of cooperation had an impact on the political forces in society, both at the governmental level and in civil society?

### **New policies within the national identity**

In fact, it has been – and still is – a troublesome and contradictory process to identify and agree on new policies in Vietnam. One reason is the strong national identity that attaches to issues such as independence (an almost sacred notion for a people that have fought against foreign enemies for centuries). A “nobody wants to lose out to foreign powers” syndrome is an important factor for legitimising Vietnam’s highly centralised state, and there is broad agreement in Vietnam that the war against the US helped inculcate that a strictly organised society is necessary for national survival. On the other hand, Vietnam also has a tradition of flexibility towards other states; Vietnam managed to balance the differences of the Soviet Union and China for decades. Fundamentally, the leadership believes that the Vietnamese state is able to handle relations with foreign governments as a sovereign state.

These policies have changed quite dramatically since the first reforms were carried out in the early 1980s. The 1980s were the decade of fundamental reforms. In the 1990s, with the end of the Cold War and the collapse of the bipolar system of world power, Vietnam needed to reintegrate with the Asian geopolitical region. Later it expanded its cooperation to other parts of the world such as Western Europe, and in recent years the rapprochement to the US has geared up.

For Vietnam, the 1990s was the decade of approaching and entering into the wider world, a “decade of globalisation.” Legislative reform became a major issue for governing the country, adjustment with the multilateral agencies and (perhaps most important) securing the interests of foreign capital. It was a decade of growth and reduced poverty, but also of growing inequalities and new challenges like the Asian Financial Crisis. Although Vietnam avoided most of the direct shocks from the Asian Crisis, it had a fundamental impact on development thinking. Political leaders were forced to reconsider the appropriateness of emphasising economic growth and rapid integration into the world market. The model of

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<sup>27</sup> Adam Fforde recently argued that few fundamental changes took place in the 1990s and early 2000s. He finds that the state is rather fine-tuning “elements” already present a decade earlier, and that the changes at SOEs, in particular, are more an attempt to increase efficiency and competitiveness without changing fundamental ownership. On the other hand, he points to new regulations in decree 64 from 2002. See A. Fforde 2003.

the export-oriented states like South Korea, Taiwan, Thailand and Singapore suddenly lost their sheen. Official policy, nevertheless, continued to focus on the lead of the state sector within the frame of a multi-sectoral economy, albeit with more consideration to providing space for growing foreign and private sectors.

The year 2000 saw an increased emphasis on facilitating the operation of the private sector and reforming state-owned companies and banks. Administrative reforms continue, and recently the government decided that the state sector would no longer be favoured over other sectors and that party members could own enterprises (a reversal of a 1996 decision that party members were not allowed to own enterprises). Since the enterprise reform of 1999, which outlined a new framework for the private sector, thousands of new enterprises have been established (or made legitimate if they operated previously). All these decisions seem in accordance with the wishes of the transnational donors. From a national perspective, these measures are seen as a necessary renovation of the existing system.

### **Development cooperation – ODA becomes as important as FDI**

In policy terms, the period from the mid-1990s has been influenced by the need to cooperate with foreign companies and multilateral and bilateral agencies, including the INGOs. Policy reforms are by and large dictated in terms of “how the country gets rich.”<sup>28</sup> The argument here is that cooperation with development agencies, rather than development aid as such, has had a much stronger influence on national policy formation and policy drafting than previously acknowledged. Indeed, development cooperation is generally under-discussed in the globalisation literature. For example, leading globalisation theoreticians like Castells overlook development cooperation. Yet official development assistance (ODA) frequently constitutes the largest share of the national budget in the poorest developing countries and donors have direct channels to influence in the government on central decisions.

In Vietnam, the donor share of the total investment in the mid-1990s was much smaller than foreign direct investment (FDI). However, FDI inflows diminished in the wake of the Asian Crisis. Since 2000, the importance of ODA and FDI in development projects has become quite comparable (Table 1). The government’s estimate of net foreign resource inflows for 2001–2005 is FDI amounting to USD 11 billion and ODA of USD 9 billion.<sup>29</sup>

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<sup>28</sup> McCarthy 2002.

<sup>29</sup> Government Report to CG meeting, December 2002, p. 39.

**Table 1. FDI inflows and ODA\***

	No. of projects	FDI, Total transferred capital, USD million <sup>30</sup>	FDI, New commitments USD million <sup>30</sup>	ODA, New commitments	ODA Disbursement, USD million UNDP Dec. 2002 <sup>31</sup>	ODA Disbursement USD million, GoV 2001 <sup>32</sup>
1988	37	288	372			
1989	68	311	583			
1990	108	408	839		448	
1991	151	664	1322		338	
1992	197	1418	2166		356	
1993	269	1469	2900	1810	274	413
1994	343	1730	3766	1940	635	725
1995	370	2987	6531	2260	612	737
1996	325	2941	8497	2430	985	900
1997	345	2334	4649	2400	950	1000
1998	275	1806	1568	2200	1200	1242
1999	211	693	3897	2210	1300	1350
2000	371	1525	2012	2400	1600	1650
2001	502	1044	2503	2400	1360	1650
2002	754	721	1557	2500	1500 est.	1794
2003					1800 plan <sup>33</sup>	

\*These figures for FDI and ODA are not entirely uncontested, but probably adequate to show overall trends. The total number of projects in 1988–2001 according to Statistical Data is 3,672. The foreign investment review reports 3,663 projects as of December 2002.

Why is development cooperation in Vietnam under-discussed? One reason may be that the political culture in Vietnam perceives the centralised state as having planning and decision-making power, while development cooperation and foreign investment are additional, but non-decisive, elements. The central documents of the 9th Party Congress in 2001, the Five-year Plan for Socio-economic Development and the Ten-year Socio-economic Development Strategy, only peripherally mention foreign agencies and development cooperation. In reality, of course, development agencies have been extensively involved in negotiations and decision-making at the central level of administration, as well as in direct cooperation, dialogue and practical work at local levels in the provinces and districts, and in cooperation with INGOs.

In connection with the government's report to the annual donor Consultative Group Meetings (which usually take place in December), the government submits a list of

<sup>30</sup> Statistical Yearbook 2001 and 2002. The figure excludes supplementary capital licences in previous years and Vietsopetro projects.

<sup>31</sup> UNDP and MPI 1997, p. iv; UNDP 2002, p. 1, taken from graph.

<sup>32</sup> Socialist Republic of Vietnam 2002b, Socialist Republic of Vietnam 2003.

<sup>33</sup> Government Report to CG meeting, December 2002, p. 39.

projects to be funded through development assistance. The suggestions on the list cover a vast range of issues from reforms of SOEs, administrative reforms at central and provincial levels, land reform, exports, environmental protection, laws and regulations in many fields, social security, roads and communication, electrification, etc. In recent years, the core documents concerning development cooperation have incorporated the language of international development, much like the I-PRSP, the CPRGS (see Chapter 6) and other papers related to poverty reduction. The extensive use of international development language in these documents may mean they are prepared in part with the assistance of foreign experts or that such language is widely accepted, or both.<sup>34</sup> What is clear it is that it is not the terminology used to be popular among the party or the provincial administration, but rather that of a new, sometimes well-trained, technocracy, rising within the ranks of the central management structure.

## Two-track policies

When the PRSP process launched in 1998, the term “partnership” so enthusiastically embraced by the donors lacked an equivalent in Vietnamese. Development cooperation was obviously recognised as important, and the government was genuinely interested in attracting as much money and capital to the country as possible, but the terms it used were “cooperation” and “partners,” but not “partnership.” The government report to the donor Coordinating Group meeting in December 2002 mentioned donor cooperation on the final page:

“Viet Nam is working with its development partners to harmonise ODA management procedures through regular ODA implementation review. The result of these activities will lead to common practices and procedures of ODA implementation. This will help to solve effectively the slow progress and disbursement rates of ODA projects or programmes.”<sup>35</sup>

Though laconically stated, the basic message is that donor distribution would be more effective if common practices were agreed upon. Development cooperation in Vietnam since the early days in the 1970s has been characterised as a “two-track” road of two irreconcilable systems, the Vietnamese and the foreign. Initially, the Vietnamese wanted to implement the projects themselves, but when donors refused, the projects often became donor driven with all decisions taken by the donors. The government gradually came to accept

<sup>34</sup>The number of foreign advisors has increased steadily. Unconfirmed sources claim, for example, that the Ministry of Finance has about 60 foreign advisors.

<sup>35</sup> Socialist Republic of Vietnam 2002b, p. 40.

donor involvement and their policy advice was part of the partnership process that resulted in the CPRGS.<sup>36</sup> The donors hope, in principle, that the CPRGS will fill the gap, or eventually evolve into a one-track policy. The government sees the CPRGS as a tool for better implementing and monitoring development plans, but sees no advantage to a unified, i.e. harmonised, system. Moreover, the donors have realised that they need to better coordinate their cooperation with Vietnam, despite their strong reluctance to do so as it meant compromises with their own established rules and regulations.

The presentation of the CPRGS indicates the position of the strategy in the government thinking,

“Recently, in May 2002, the Government approved the Comprehensive Poverty Reduction and Growth Strategy, detailing in a wide-ranging manner the national sustainable development policies, with the primary target of improving the living conditions for disadvantaged people and carrying out poverty reduction in a more substantial and sustainable way... it will be necessary to continue the implementation... and arrange the integration of the strategy into the socio-economic development plans of each sector and each locality.”<sup>37</sup>

The government thus considers the CPRGS as an action plan to be included in the policy frame where it came from, the ten-year strategy, the five-year plan and other sectoral plans.<sup>38</sup> Will this new type of cooperation change the political landscape? Vietnamese society is a Confucian culture organised under one-party state with rules and traditions that do not compare well with other countries and which constitute a special configuration of the channels for change.

### **Party rules, rule of law and consensus governance**

The “state and party” slogan implies a unified decision-maker. However, with the incremental retreat from direct state management, the state and party have had to reassess their core functions. The situation is complex, since, like in any society, Vietnam has numerous actors with specific behaviours, habits and customs. Moreover, the impacts of these actors are sometimes hard to discern.

Among the many valuable lessons drawn from the economic transitions in Eastern Europe were advantages and drawbacks of “fast-tracking” of reforms and quickly forced plu-

<sup>36</sup> Jerve et al. 2002, pp. 60–61.

<sup>37</sup> Government Report to the Consultative Group Meeting, Hanoi, December 10–11, 2002, pp. 36–37.

<sup>38</sup> The formulation is similar in the Introduction to the CPRGS. Hanoi, May 2002, p. 2.

ralism. China has successfully implemented drastic changes in socio-economic life under the unique leadership of its communist party. On the other hand, Vietnamese society needs political stability to clear the way for economic and institutional development. The Vietnamese system officially describes itself as democratic, yet the political decision-making system of the party and administration is basically a top-down structure, built upon the traditions from Confucianism and French administration. The party has designed rules for policy feedback through, for instance, the mass organisations.

Vietnamese society tolerates irregularities. For example, provinces operate independently to a degree. The administration is organised budget-wise with the money distributed from the top, but the provinces cannot be controlled through the budget alone. Countervailing control is exercised as informal breaking of rules. This may come from the bottom when people are dissatisfied with the situation and react against authority (typically a local authority). Such dissent was fairly widespread at the end of the 1970s when the first reforms measures were introduced. More recently, in reaction to peasant dissatisfaction in Thai Binh in 1997–1998, the Grassroots Democracy Decree was passed in 1998 to allow not only for more control of the budgets at the village level, but also to promote democracy at lower levels in general. “Fence-breaking” activities or daily resistance has taken place for decades and has often led to reform measures. One could thus say that the strengths of Vietnam’s communist party are its responsiveness to political dissatisfaction at the grassroots level and its ability to include or encapsulate dissatisfaction.

The *doi moi* reforms, which originally aimed at installing economic reforms and introducing a market-oriented economy, have also had a substantial impact on the political setting from the early 1990s onwards. The party-state, with its parallel system of administration and party, has been transformed into a system where the party is increasingly confined to the role of a deciding and controlling, while the administration, with its implementing role, has gained considerable power. The rule of law has partly replaced the former system of customary party rules,<sup>39</sup> and the National Assembly has gained power, becoming the preferred forum for introducing, discussing and passing laws. The rule of law has penetrated all fields of society touched by the market. The interaction with the transnational world has also created an imperative to set up rules and institutions. The crucial Public Administration Reform (PAR), officially launched in 1991, has become one of the most contested arenas for defining the structure of decision-making and allocation of power at all levels. Attempts to

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<sup>39</sup> Martin Painter (2003, pp. 18–20) discusses these complicated policy relations.

delineate the roles of the party and other leading organisations may not be easy, since most key positions in the government or the National Assembly are party members. Nevertheless, it is fair to say that governance today is generally based on consensus among many actors.<sup>40</sup>

Consensus governance includes the notion of a society where discussions and agreement take place at all levels before final decisions are taken. Power is also spread out among horizontal types of networks. Thus, Vietnam's system is characterised as "polycentric power sharing."<sup>41</sup> It is a fairly opaque system, which makes decision-making very slow. Differing views and interests may hold up the system for long periods, but it nevertheless has democratic features (e.g. consultations occur at many levels). This system is cumbersome and frustrating for the donors, but it has legitimacy and accountability in the Vietnamese setting.

## INGOs and LNGOs

The role of the non-state sector has yet to establish its scope in the Vietnamese political system. Before reforms, the sector barely existed. Today, while the "non-state business sector" is widely accepted, the "non-profit non-state sector," i.e., local NGOs and community organisations has yet to receive a stamp of approval. The pre-reform concept of society distinguished just three types of institutions: the party, the administration and the mass organisations. In the wake of reforms, the non-state sector became a necessity, even if inequality vis-à-vis the state sector persists.

The INGOs have gained acceptance over time, partly because of their good relations with the government, but mainly because the INGOs provide substantial funding that benefits local communities. A special institution, the People's Aid Coordinating Committee (PACCOM), has been set up to coordinate cooperate with the INGOs and control some of their activities.

The INGO environment expanded rapidly in the 1990s. By 2002, the INGOs numbered about 500, with about 100 project offices implementing projects in Vietnam. The INGOs have kept lower profiles in Vietnam than in many countries, and neither the government nor the multilateral donors are criticised as severely as in other countries in the region. Officially, the INGOs have been "critically supportive" of the Partnership Process.<sup>42</sup> Off the record, one INGO representative described the situation otherwise, "The INGOs have been co-opted."

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<sup>40</sup> McCarthy 2002, p. 60 ff.

<sup>41</sup> Ibid. p. 22.

<sup>42</sup> Civil Society Participation ... 2001, p. 13.

Most INGOs provide services. Only a few are policy-oriented or advocacy-oriented, although these approaches are beginning to be incorporated into the work of some INGOs.

The main partners of the INGOs are local administrations or mass organisations, among which the Women's Union has taken a preferential position. The mass organisations are institutional partners of the state through the umbrella organisation, the Fatherland Front. Mass organisations were originally established as "transmission belts" between the party and the citizens. They are accordingly not considered "non-state," but they gained renewed importance in the 1990s when the state retrenched in many fields as it cut back bureaucracy and social services of the pre-reform system. As mentioned above, the Women's Union has specially benefited from being a partner organisation and channelled large funding to the local projects, and the organisation has undergone massive capacity building through this cooperation. The other mass organisations, including the Farmers Unions, the Trade Union and the Youth Union, have had more limited partner roles and the Veterans' Organisation and Old Age Organisation have had extremely little cooperation. The INGOs have thus increasingly come to accept mass organisations as something more than state agencies.<sup>43</sup> INGO activities today also include services that the government is unable to provide to communities.<sup>44</sup>

Local NGOs are still limited in number and mainly operate from the cities. The legal framework they would need is considered insufficient or even non-existent until recently when a Decree on non-government organizations was enacted.<sup>45</sup> A more elaborate Law on Associations should eventually be submitted to the National Assembly, although the bill has been postponed several times since 1992 and observers are split on whether the legislation will come up soon. On the other hand, the absence of a legal framework is not all bad for LNGOs; it frees them from having to comply with strict regulations. They must, of course, deal with a lack of regulations on how to transfer funding and uncertainty over whether they are allowed to cooperate in networks or INGOs. Most individuals work as research or training NGOs, or as consultants. Many have connections with the bureaucracy through former jobs in the government institutions.<sup>46</sup> Even if the cooperation with the INGOs is fairly limited, they are generally funded by foreign sources. While acknowledging their work as

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<sup>43</sup> Care International 2002, op. cit. p. 23 ff.

<sup>44</sup> Conway 2003, p. 19.

<sup>45</sup> To indicate the size of this type of organisation, official statistics report 240 nationwide professional associations and about 1,400 local professional organisations in 2001. Care International 2002, p. 26.

<sup>46</sup> Pedersen 2002, p. 60 ff.

important and increasingly necessary, the government seems not yet ready to accept LNGOs as equal partners in discussions.

Community-based organisations (CBOs) have also emerged in recent years. One type of CBO is initiated through development cooperation, both in the form of large projects funded by multilateral and bilateral sources and INGO-funded projects.<sup>47</sup> CBOs function as project management committees or village development boards at commune and village levels. They are elected by the community and are separate from the state system. However, they do not operate entirely independently as the administration is elected to the committee boards. A new type of CBO, which is closer to civic groups, provides other services to the community, e.g. extension groups, water use groups and credit savings groups. Some of these are set up with foreign funding, while others are based on local resources (exchange and mutual support groups).<sup>48</sup>

This overview of INGOs and NGOs is hardly exhaustive, but the main types of development organisations included here at least give some idea of what has evolved since the start of *doi moi* reforms. As the core focus of the present study is the impact of the transnationalisation process in Vietnam's political space, particularly participatory planning in the PRSP process and the roles of various transnational agents, we outline a basic configuration for the following analysis.

Even without a coherent legal frame for a civil society or non-state sector, it is evident that Vietnamese society is diversifying. Only development-oriented organisations are mentioned in this study, but obviously the civil society forming in Vietnam has multiple dimensions and involves many areas of endeavour. Most people involved in development activity are reluctant to raise critical voices about the leadership, preferring to focus on social concerns. When criticism does arise, it is typically from an organisation allied with foreign-based groups (sometime from those with subversive political aims, the type of group that most concerns the government).

Almost all theories of civil society are products of Western theoretical thinking, and to a certain extent confounded by the case of Vietnam. The understanding cannot be sustained by the classical approach of de Toqueville as "a space independent from the state," nor is Grey's argument for a Gramscian understanding of civil society as "a contested public space" wholly satisfactory.<sup>49</sup> Mary Kaldor suggests a combination of aspects:

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<sup>47</sup> Care International 2002, pp. 32–33; Fritzen 2001.

<sup>48</sup> Care International 2002, p. 34.

<sup>49</sup> Grey 1999, pp. 693–713.

- A neo-liberal version of civil society that provides a “non-profit sector” that can substitute for many of the functions performed by the state.
- An activist version of civil society that includes self-organisation outside formal political circles.
- A post-modern version that defines civil society as “an arena of pluralism and contestation,” among which the NGOs only constitute one component.<sup>50</sup>

Alan Fowler (2000) offers a useful distinction between NGDOs as “social entrepreneurs” and as “civic innovators.” Social entrepreneurs, he explains, are largely rooted in the official aid system. Over time they shift from being embedded in the civic system to reliance on the public domain for tax financing. Civic innovators, in contrast, are closely allied to co-operation and non-profit or even non-exploitation (and to traditional NGDOs) and driven by morality and political solidarity. Fowler considers this second type of NGDO more inclined to push reforms and ally with local organisations.

The INGOs in Vietnam represents a part of the global or transnational donor community and as business partners in a neo-liberal environment, rather than as civic innovators.

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<sup>50</sup> Vietnamese scholar Bach Tan Sinh (2001) is among the few who have attempted to analyse civil society in Vietnam using Western theoretical approaches.

# 3 The political discourse and players of policy-making: History, culture, economy

## **Brief historical overview of culture and politics**

It is necessary to view the success of Vietnam in the light of specific factors relating to its people, culture and especially, its political life – decisive elements that have helped Vietnam maintain its independence from external interferences, while achieving its own economic development objectives.

### Vietnam in brief

Vietnam is a medium-sized country with the total area of 330,900 km<sup>2</sup>. This S-shaped country lies on the eastern edge of the Indochina peninsula in Southeast Asia. It shares borders with Laos and Cambodia in the west, China to the north. The Pacific Ocean lies to the east. Despite of its small area, the population of Vietnam is about 80 million, making it the world's thirteenth most populous country. Geographically, Vietnam is divided into three regions: the North, the Centre and the South. Hanoi is the capital, while Ho Chi Minh City (formerly Saigon) is the economic centre of the country. Ho Chi Minh City still abounds with influences of the market economy, developed under the pro-American government during the war from 1960 to 1975.

### Socio-cultural background of poverty reduction and development

Particularities in the planning of national development strategies, especially those relating to poverty reduction, stem from different sets of assumptions. They can derive from political ideology, or historical and cultural factors.

Due to continued aggressions and the harshness of nature, Vietnam has faced difficulties in socio-economic development and stabilisation for many centuries. Feudal leaders had to maintain hard-and-soft diplomatic policies towards China's dynasties hand, while taking actions, including poverty reduction, to secure the welfare of their people. Vietnamese history has repeatedly demonstrated that the inability to meet the people's demand for food constitutes a grave danger to the throne. For example, upon gaining independence from French colonialism and Japanese fascism in 1945, President Ho Chi Minh immediately declared that the main task facing the government and people of the Democratic Republic of Vietnam was defeating aggressors, illiteracy and poverty.

The policies encouraging farmers applied throughout country were also used earlier by Vietnam's feudal dynasties, including measures on flood control, reclaiming virgin soil, funds to promote agriculture, and reducing the gap between the rich and the poor. Even today, these themes define the primary targets of poverty reduction programs in Vietnam.

A varied history and a Confucian culture that attaches importance to honour and human values inform the Vietnamese character. It is somewhat similar to the self-dependent culture of other East Asian nations (as was seen in Japan in the aftermath of the Second World War and in South Korea during the 1960s). One distinctive character of the Vietnamese people is their reliance on domestic resources for national defence and nation building. External support and assistance, large or small, has never been given more than a supporting role. Thus, even when faced with extremely difficult circumstances, the Vietnamese had a hard time accepting help or assistance, because it might dishonour them or alienate them from their traditional ways. Indeed, the attitude of keeping foreigners at a distance without antagonising them and while still collaborating seems a distinct feature of Vietnamese mentality. When difficult situations have forced the Vietnamese to cosy up to a foreign influence, these shifts have always been temporary and eventually policy returned to a neutral course. Without going into a deep philosophical discussion, it is safe to say that Vietnamese culture strongly influences the way contemporary policies are made.

The tension of centralisation and decentralisation also has been a major theme in the Vietnamese nation state. From the outside, for the last several decades Vietnam has been seen a centralised planned economy with an increased ongoing decentralisation process. In fact, traditionally, Vietnam always has a problem of centralisation at the top level and then decentralisation at lower level of provinces, district and communes. The saying "The rule of the king stops at the gate of village" originates from a long tradition of resistance of local units, i.e. villages, against China's assimilation policies, and a reflection of the conflict be-

tween these two poles of power play in Vietnamese politics. This situation still seems to apply today, much to the chagrin of Vietnam analysts.<sup>51</sup> This kind of de facto division between the centre (government, central organisations, authorities and ministries) and sub-national level (with its respective departments, people committees, etc.) certainly leaves an imprint on the way policies are made and implemented, including that of CPRGS process.

## The political landscape and culture

Overall, the structure of power-play and policy-making in Vietnam centres around three groups of actors: the party, the state and the people. For a long period, the motto of the society management in Vietnam was “the Party leads, the State manages and the People own” (*Dang lanh dao, Nha nuoc quan ly, Nhan dan lam chu*). Although certain specific characteristics of the society may have changed from time to time, these three components of the social structure are still the basic cornerstone of contemporary Vietnamese society.

### The Communist Party

Vietnam is one of tiny group of nations that still follow Marxist-Leninist ideology in their socio-economic development line. Political particularities do not allow the country to have a multi-party system and political pluralism. The Communist Party of Vietnam still plays a decisive role in policy-making. Article 4 of the Constitution of the Socialist Republic of Vietnam states:

“The Communist Party of Vietnam, the vanguard of the Vietnamese working class, the faithful representative of the interests of the working class, the people and the nation, following the Marxism-Leninism and President Ho Chi Minh’s ideology, is the leader of the State and the society. All Party organisations operate within the framework of the Constitution and law of Vietnam.”<sup>52</sup>

Party cells operate parallel with state bodies at all levels. These units practice their leadership through the passing of resolutions relating to basic activities of local authorities, and people are appointed to key positions in the leading apparatus. Traditional Western-styled political activities have never flourished. The key feature in this context is that Vietnam has declared its intent to build up a socialist-oriented market economy, whereby the

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<sup>51</sup> Conway 2003; McCarty 2002.

<sup>52</sup> Vietnam’s Constitution, Hanoi 1992.

economy is substantially opened up, while keeping the party's leadership paramount. Hence, instead of democratic activities in the tradition of Western-styled civil society, other forms of governance within a definite framework are applied.

The relationship between the party and other governing organisations in Vietnam requires a thorough analysis. Some scholars suggest that the relationship between the party, the government and the National Assembly (parliament) in Vietnam can be divided in three periods:

- 1945–1954: The party adopted a relatively limited and distinct role, accepting non-party members through the government.
- 1955–1986: The party increasingly dominated the government and central planning; ownership of the means of production was emphasised.
- 1987–present: The party gradually retreated from direct control over state affairs, and instead promoted the rule of law, increased autonomy and power for the government and National Assembly, and greater separation of legislative and executive functions.<sup>53</sup>

Of course, reality does not fully support these divisions, but experiences shows that the relationships among organisations in the power structure depend very much on the specific features and context of each period, domestically and internationally. In any case, the party retains its central and decisive role in most (if not all) important aspects of the Vietnamese society and economy.

### The persisting distinction between the role of the party in policy-making and the state's role in social management

*Doi moi* created actual turning points in economic development and material changes, and has, of course, brought about political changes. The period before *doi moi* witnessed political dogmatism and a serious lack of democracy at many levels. There was confusion over the role of the state and the party in management activities. For a long time, management was carried out through direct resolutions of party committees from the central to local levels (the contents of these documents were often very general and doctrinaire) rather than legal documents issued by the state administration in certain localities. This paralysed state administration and caused internal inertia among leaders at all levels. For example, this role confusion commonly made relations very tense between a party cell and the board of directors of a factory.

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<sup>53</sup> Dang Phong & M. Beresford 1998.

The situation changed considerably after *doi moi* was initiated. In its official documents, the Communist Party affirmed its role was orientation and policy-making, rather than direct participation in management activities, where state organisations should be in charge. In fact, Vietnam has tried to move the function of social management in a direction that builds up the jurisdictional state (the rule of law) where the law is comprehensively applied to basic aspects of life, as well as establish laws ensuring the basic rights of citizens. There is no doubt that the country has made progress in achieving this goal, but Vietnamese society still faces many hurdles before rights and regulations are consistently observed. Nevertheless, the political landscape is now slowly, but firmly, transforming to less doctrinaire politics, increased participation and broader interaction among a much broader range of players.

### The National Assembly

The roles of the National Assembly and representative bodies from the centre to local levels were unclear for many years before *doi moi*. The National Assembly's duties were essentially formalities; legislation submitted was often *fait accompli* as far as the party or executive bodies of the government were concerned. However, due to positive changes in economy and social stability, the National Assembly, playing the role of a representative authority, now has real power. Many Vietnamese follow events at National Assembly meetings, which are often televised or broadcast live on the radio. Questions from parliament members to government leaders and other state authorities receive special attention. Meetings about new events and burning issues are regularly organised between local people and the National Assembly members with frank, to-the-point dialogues. Specialised committees of the National Assembly operate effectively in advising the National Assembly on the issuance of legal documents and decisions on fundamental national issues.

There are many explanations for this situation. First, the role of the Fatherland Front as organiser of political consultations for National Assembly candidates was enhanced.<sup>54</sup> Although the Fatherland Front is considered the solidarity organisation of social, religious, intellectual and overseas Vietnamese associations, it also used to formalise the party's selection of candidates to the National Assembly. Through the "open door" policy, it not only opened access to non-state sectors but also took advantage of support from overseas Vietnamese. Gradually, the position of the Fatherland Front has become more independent, and consequently, the selection of candidates for the National Assembly has become more objective.

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<sup>54</sup> See more on the Fatherland Front p. 66.

Another factor is the reform in the performance of the National Assembly. The rules for running as a single candidate have been loosened, and today there are even National Assembly members who are not party members. The National Assembly has also been rejuvenated as the average age of members has dropped from 60 to 50. Women now constitute 26.2 percent of the National Assembly. The National Assembly has also increased the number of members who have specialised duties rather than several concurrent positions.

Still, the performance of National Assembly as a fully functioning power body acting on behalf of Vietnamese people still faces many challenges. Prior to every election, the decisive voice of the Fatherland Front, which for a long time was considered the prolonged arm of the party, remains a big question vis-à-vis the National Assembly's independence. Should the body open wider to non-party members? The executive body (the government) still introduces new legislation to the representative body (National Assembly) for acceptance, especially in big projects. Finally, doubts about the abilities of the National Assembly's members remain unchanged. They lack important elements to doing the legislators job properly: i.e. information, professionalism and appropriate management mechanisms.

### The government in the new context

The government, i.e. the executive body, deals with day-to-day policy-making. As mentioned above, the relationship between the government and the party experienced a dynamic period of changes. The monolithic period when the party was the government (and the state) ended, and the government became much more independent in exercising its power under the law. With the reform, the government's role went through a radical change to be relatively independent and determined. Admittedly, most key government positions are held by members of the Communist Party, but the ratio of party members to all officials is decreasing.

Before *doi moi* policy launched in 1986, the Vietnamese economy faced mounting difficulties in all major fields. In agriculture, the production and meeting people's demand for food were extremely strained. Despite being an agricultural country, Vietnam earlier imported large volumes of rice every year. 85 percent of the labour force was involved in agricultural activities, yet the people's demand for food, and particularly rice was never close to satisfied. Total agricultural output was 1,743,600 tonnes in 1982; it then fell from 1983 to 1987 while the population increased by 6 million.

Subjective and voluntary measures aimed at market price stabilisation caused great disorder. They were to some extent reflections of other problems that had not been dealt

with in a timely manner or solved. Annual inflation soared from 131 percent in 1981 to 774.7 percent in 1987. State-owned enterprises retained their monopoly on supply and distribution of goods. The consumption network did not function well in business and service activities. In some localities with disadvantaged natural and socio-economic conditions, commercial activities and services were left unaddressed.

The state, with its inappropriate views on private economic development, reformed the private sector by confiscating property or forcing private businesses to join mixed state-private businesses. Moreover, the authorities did not recognise any economic components other than SOEs and cooperatives.

Generally, there were irrational factors in the planning of industrial and economic development strategies. Agriculture was cumbersome. Plantations and animal husbandry concentrated on few basic crops and animals. Handicrafts dominated, and industrial production was at a standstill and seriously imbalanced. There were no clear development strategies for trade, tourism and services, so these sectors were basically left undeveloped.

Several stabs at economic reform were initiated and implemented in early 1980s. However, these efforts in the best cases went nowhere due to the limited understanding and haste of the policy-makers. The price-salary-money reform of 1985 not only failed to boost the economy, it dragged the country to the brink of serious socio-economic instability.

Eventually, the reformist leaders of the Communist Party came to accept that without fundamental changes in the existing economic management model, Vietnam would face great challenges in socio-economic stabilisation and even in keeping the government in place. The new reform proposals focused on measures to free internal sources. This policy inherited numerous points of view penetrating through the history of nation building and defence. Foreign investment was seen as a supporting means and a buffer to build Vietnam as an industrial country. In that spirit, the 6th National Party Congress of Vietnam held in Hanoi in December 1986 officially declared the economic reform policy. The main contents of the policy included:

- Opening the economy to foreign investment and encouraging economic cooperation with foreign countries with the promulgation and perfection of the Law on Foreign Investment in Vietnam.
- Modifying the economic structure by acknowledging the existence of many economic components, including the private sector and foreign ownership, and giving enterprises an active role and self-responsibility for their business efficiency.
- Extreme importance was placed on reform in rural areas.

## Poverty reduction in action: Agricultural reform

The core of the overall reform was to transform Vietnam from a backward agricultural nation into an advanced industrial country. Reform started with agriculture, because burning issues such as food security and poverty reduction could be comprehensively dealt with once the food supply was stable and efficiently produced. Because of agriculture's importance and tradition, agriculture was considered the focus and was preferentially settled so that internal resources could be arrayed to defeat the country's enemy for many decades – poverty.

At the start of the reform, Vietnamese farmers, who accounted for 85 percent of the national labour force, could barely meet their own demands, much less those of the rest of the population. A basic reason was an irrational and long-term reliance on cooperatives as the sole basis of agricultural activities. After independence in 1954, cooperatives were organisations for farmers who voluntarily took part in the production and shared profits. Later, local authorities forced all farmers in the north of Vietnam to join cooperatives. From late 1959 to 1960, about 85 percent of northern peasants were mobilised to join cooperatives. Agricultural output fell about one million tonnes in that period. On the other hand, at the peak of the Vietnam War (1966–1972), these cooperatives responded to the country's production needs.

When the war ended in 1975, the cooperative model was widely introduced to the south of Vietnam. The number of agricultural cooperatives reached 53,374 in 1988. The operation mechanism and mode of management in cooperatives gradually revealed fatal flaws, which led to a dramatic productivity reduction. Agriculture fell into a chronic slump, and rice and poverty became the country's two most pressing issues. Vietnamese throughout the country had to eat grains other than rice, and the Vietnamese government had to import a million tonnes of rice a year to satisfy the demand.

Legal impediments to agricultural development were eliminated incrementally in the 1980s, starting with the introduction of a “contract-based system for groups and households” (*khoan 100*) in 1981. Under the new arrangement, households were assigned certain parts of the production process, while the role of cooperatives was diminished to a supporting role. Output soared to 17 million tonnes, an increase of 4 million tonnes in the five-year period 1981–1985. However, due to the limitations of economic reform at the macro-level and the dissatisfaction of cooperative leaders, the progress of agricultural liberation gradually ground to a standstill.

Party leaders passed Resolution 10, or Contract 10 (*Khoan 10*), in April 1988. Resolution 10 confirmed the certain and equal existence of all economic components. Farming

households were legally admitted as “self-controlled economic units.” Cooperatives, under new formats, were independently-financed organisations. Farmers now joined new cooperatives, or joint labour groups, in a volunteer spirit of equality and mutual benefit. Most cooperatives had to close because they could not meet the new requirements.

Besides giving farmers the rights to control all parts of the production process, the government also promulgated a new Land Law (1993). The law, quickly put into force, included legal assurances of state protection for farmers and the legal right to transfer land. The state also abolished certain taxes and charges on peasants, and set forth preferences and advantages to enterprises investing in wasteland or virgin soil. Another measure was the state’s credit-supporting policy to poor households by lending them capital for production without asking for a mortgage (to date, about 7.7 million households have taken loans of this kind). In addition to lending money for production development, the Bank for the Poor (which became the Policy Bank in March 2003) helped poor families change their thinking in the direction of fair business and to use the loans effectively.

Doubts about the daring policies were answered quickly. Rice production increased nearly 2 million tonnes from 1988 to 1989. The following years experienced an average increase of 500,000–1,000,000 tonnes. Paddy production rose around 26 percent during 1987–1989. The average rice output per capita was 360 kg in 1994 as compared to 330 kg in 1989–1992 (including accounting for the population growth rate of 2.2 percent per annum). Vietnam exported about 2 million tonnes of rice in 1992, and in 2002 ranked, after Thailand, as the world’s second largest rice exporter.

In other words, the issue of food security with the focus of poverty reduction in agriculture has been comprehensively and basically settled. The case of successful agricultural reforms show indisputably that, under certain circumstances, the government, under the leadership of the party, can deliver positive development results. Poverty reduction today has become central to all aspects of development strategy and the policies of the Vietnamese leadership.

### **Interacting with international actors and donors**

In recent years, the international community has been doubtful about the role of giant international organisations in the planning processes of development strategies in some countries. Lessons drawn from the regional financial crisis in Thailand, Indonesia, South Korea in 1997 and the recent economic recession in Argentina argue against economic freedom alone as a comprehensive solution, and have made developing countries critically re-evaluate the values multinational donor organisations seek to impose on emerging economies.

In addition, socio-economic stabilisation policies, such as structural adjustment and poverty reduction in Latin America and Africa, failed to deliver the positive changes promised and despite direct, strong support from the international donors. In many cases, living standards were not significantly improved. One of the most popular criticisms of the globalisation process is the heavy-handed intervention of the donors in socio-economic development policy planning and the resulting socio-economic disruptions and corruption-driven chasm created between the communities and central authorities.

In this respect, Vietnam is an outstanding case for study. Starting with one of the world's highest poverty rates (70 percent of the population), Vietnam had seen 32 percent of its people lacking material support in 1990s (according to 2000 data). What needs to be stated here is that the success in improving socio-economic development has not resulted in political disorders and instability, and perhaps more surprising for the critics of globalisation, the major sources of funding have come from the national policy regime and international donors such as the IMF, Japan, the ADB and the World Bank. Vietnam has truly succeeded directing economic development in the direction of openness and integration with little intervention within the context of its existing political system. Vietnam's development of relations with the international community and implementation changes in the country were for the most part achieved in just the last two decades.

Lessons of the agricultural reform over three decades made the government understand that it is impossible to have long-term agricultural development without comprehensive changes of the economic management mechanism at the macro-level. Looking to its neighbour – China – which has had a number of successes from its 1978 reforms, Vietnam understands that opening of its economy to attract foreign investment capital, and to exploit at maximum the strength of other economic components such as ODA and develop other international economic relations, are the appropriate selection for its existence and development.

The Law on Foreign Investment in Vietnam, which calls for foreign investment capital, was issued in 1987 with open and attractive provisions compared to other countries in the region. The law was subsequently amended in 1992, 1996 and 2000 to further meet investor expectations.

By the end of 2002, the country has attracted total foreign investment of over USD 40 billion from 70 nations and territories. Enterprises receiving foreign direct investment (FDI) have become a dynamic component of the economy and have posted the highest growth rates of any economic component in Vietnam. Indeed, these businesses now generate about 34 percent of total industrial production value, about 24 percent of total export earnings (excluding oil and gas) and account for over 12 percent of GDP. In 2001 alone, this sector

contributed over USD 3 billion of the USD 10 billion mobilised in the period of 1996–2000. FDI-receiving enterprises have directly given jobs to over 350,000 people and indirectly to ten thousands employments in different sectors of the economy.<sup>55</sup>

A key, long-term objective of the issuance of the Law on Foreign Investment in Vietnam is that the government wants to see foreign investment as the impetus and backbone of long-term development of domestic enterprises. A rational utilisation of internal forces through domestic businesses is always the long-term objective. Moreover, the experiences of the massive departure of foreign capital from regional countries such as Thailand and Indonesia during the financial crisis in 1997 compelled the Vietnamese government to consider development of domestic resources. Thus, the government's view is that Vietnamese enterprises, developed properly, will lessen reliance on foreign investors and mobilise a substantial amount of free capital (which some sources estimate at USD 8 billion).<sup>56</sup>

In addition to attracting FDI, the government has also stressed labour export. In the past, labour export was only done within the framework of labour cooperation programs with countries in Eastern Europe, the former Soviet Union and certain countries in the Middle East. At the moment, this activity has been expanded to a number of new markets in the region (e.g. Malaysia, South Korea, Japan and Taiwan). These workers currently repatriate billions of dollars to Vietnam every year.

In the present situation and considering requirements of the country, the government is attempting to set up rational and harmonious development structures before creating a common playing field for all economic components. The Company Law and the Law on Private Enterprises promulgated in 1991 formally accepted and created a legal basis for the performance of the private sector. However, the real breakthrough to open the economy was the issuance of the Business Law in 2000. This law has, so far, removed many obstacles relating to procedures on the establishment of new enterprises and offered a number of choices for investors. Instead of the “ask-and-give” mechanism at all levels and state organisations, an investor is only required to register the establishment of his or her enterprise. From the time of the law's enactment to June 2001 about 38,000 new enterprises were created (compared to 30,000 in the period from 1991 to 1999, which was governed by the Company Law and the Law on Private Enterprises).<sup>57</sup>

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<sup>55</sup> Five-year Socio-Economic Plan, Communist Party of Vietnam 2001, p. 98.

<sup>56</sup> Huy 2002.

<sup>57</sup> Source: MPI.

Agricultural policies appropriate to mountainous and rural development policies also made progress. Agricultural activities were diversified through husbandry development and fishery-aquaculture promotion. Land and forest allocations to households, especially ethnic families (under Decision No. 327-CT) were to be resolved, or at least addressed. In 1994 alone, the government allotted 2.7 million ha of contract-based forests, nearly 500,000 ha of land to households, especially ethnic families. The model for building up farms for forest protection and development was effectively multiplied in many localities throughout the country. There was a certain amount of backlash, however, as the livelihoods of many farmers were made more difficult through this policy.

The government took the important step of launching SOE reform to promote the health of the economy and reduce poverty in urban areas. The Government has issued many important documents (the Decree No. 103/1999/ND-CP and the Decree No. 64/2002/ND-CP) to accelerate diversification of state ownership, mainly in the form of equitisation.<sup>58</sup> There existed about 6,500 state enterprises in the whole country in the 1980s. A considerable number of them did not perform effectively. After several reforms, the number of SOEs was reduced to about 5,900 by 1998, and further to 5,195 by 2002.<sup>59</sup> Reform continues, albeit at a slower pace. These enterprises present a number of obstacles to economic development, and changes are needed especially with respect to rational distribution of land, labour and finance. In addition, the monopolies of SOEs in many fields, state subsidies and soft budget constraint problems all threaten the establishment of a level playing field for all economic participants.

About 808 state enterprises (13 percent of the total) have been changed to multi-ownership (90 percent of which are now in the form of joint stock companies). These enterprises have out-performed their unmodified counterparts, although admittedly the best-performing SOEs were equitised first. Turnover has increased 40 percent on average and profits have increased about 100 percent. Ownership diversification of SOEs seems, so far at least, to be a good way to improve the life of the people in urban areas.<sup>60</sup>

In this situation, new economic players are emerging as foreign investors, private entrepreneurs, and joint stock owners of businesses. The operation of the National Committee for Enterprise Reforms under direct guidance of deputy prime minister has contributed

<sup>58</sup> Change of equity ownership – a process called equitisation (as opposed to privatisation) in the Vietnamese context.

<sup>59</sup> Taking Stock 2003, p. 4

<sup>60</sup> The Security Investment Magazine of MPI No. 54, December 15, 2000.

strongly to this process. This led to business-based pressures from new economic sectors for the government to establish various forms of dialogue such as Vietnam Business Forum (previously, the Private Business Forum). As a whole, the economic and business scene gained a more democratic atmosphere. This new group of players, although still minor, have this certainly influenced the interaction of politico-economic power in society since the late 1990s.

The struggle between old and new policies in the first years of the *doi moi* process was very tense. Former officials who had their interests attached to the old mechanism tried to hinder and even prevented the efforts of reform-minded people. Vietnam experienced four very hard years (1986–1989) before concluding the way it had selected was correct. The international community was initially cautious about Vietnam's efforts at change, but the concrete results gradually removed doubts (especially on the part of Western countries). The appearance of an increasing number of European and Japanese investors caused American businessmen to worry that they might be left out. Thanks to continuous pressure by the American public, businessmen and officials, President Bill Clinton declared the removal of the 20-year economic embargo on February 3, 1994. Another important step forward was that Vietnam, in 1995, officially became a member of ASEAN – a dynamic regional organisation of nations that used to be Vietnam's enemies during the war (Thailand, Philippines). The change in Vietnam's status was then globally recognised. This was the most important catalyst for the return of international stakeholders after a long absence or half-hearted performance. There were only UN organisations and a few Northern European donors in Vietnam before 1990. The first consultative group meeting was held in Hanoi in 1993.<sup>61</sup>

Currently, there are 25 bilateral donors, 19 multi-lateral donors and 500 non-Government organisations operating in Vietnam. Japan, the World Bank and ADB are the three largest stakeholders; their funding totals 80 percent of the total ODA capital. The biggest bilateral donor is Japan. The largest multi-lateral stakeholders are the World Bank, ADB, UNDP, the IMF and the EU. To date, there have been nine consultative group meetings with the total committed capital of USD 21,069 million, of which 46 percent has been disbursed (USD 9,728 million).

Again, with the change of international politico-economic relations, new players have entered the scene in the form of international donors and international NGOs who work alongside with donors by providing funds and assistance to various Vietnamese part-

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<sup>61</sup> Vietnam eventually joined other international fora such as APEC and ASEM, and is currently negotiating membership in the WTO.

ners. These groups, despite their differences in mode of operation, procedures and practicalities, seem to have a joint vision to make Vietnam more developed, economically healthy, socially just and less poverty burdened. Relations among these international donors and their Vietnamese counterparts – mainly government officials – have been institutionalised in such forms as the Vietnam Business Forum (where donors also take part) and more importantly, the Consultative Group (CG) meeting, where donors sit with the government to discuss the ODA and general development issues of Vietnam. There may be no other country where international donors have worked as closely and on such a regular basis with the government as Vietnam. Indeed, CG meetings have become famous events for the development process. NGOs, local and international, and the media are expected to show up to hear and discuss most up-to-date changes. Donors and international NGO actors, one way or another, have become contributors to power dynamics and policy-making in Vietnam.

### **Civil society and its actors**

Analysts conceptualise the relationships of the main players in Vietnam with three models of state-society relations.<sup>62</sup>

The first model sees a dominating state. Debate may arise within the state or be influenced by external events, but society at large remains subservient to the bureaucratic polity. Major decisions are made within the bureaucracy and power is linked to a small group of bureaucrats.

The second model sees state penetration of society and control over society through mass organisations used to mobilise various social and economic groups to support state policies. This is termed “mobilisational authoritarianism” or the “state corporatist” perspective, whereby channels for society to influence the state exist within limits.<sup>63</sup> In Vietnam, most major “non-government organisations” are actually supported, approved and endorsed by the state to some extent. Mainstream mass organisations should act as the right hand of the party and the state (e.g. the Women’s Union, the Trade Union, the Youth Federation) and support official policies, or at minimum, they should not be seen as “being disliked by the state” and play by the rules set up by the state. If they observe these rules (i.e. refrain from pushing radical political agendas) they are given freedom in the performance of their activities. In this context, the process is sometimes referred to as “organised democracy,” “consensus-based governance” or “a polycentric power-sharing” system. This approach is certainly found in the context of Vietnamese society.

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<sup>62</sup> Kerkvliet 2001; Conway 2003.

<sup>63</sup> Conway 2003.

The third model looks beyond the usual level of formal, organisational and national politics. It claims that the state's power is actually quite limited for reasons such as de facto decentralisation (central versus local tension), and constant attempts by the state to respond to pressures from below by revising its policies to maintain legitimacy. This "flexible responses" approach seems to become increasingly relevant in the current politics of Vietnamese society.

No matter what option or perspective is used in analysing the Vietnamese power structure, it is clear that the party and the government (although they retain powerful influences) are no longer the only players interacting with society.

The economic reforms initiated in late 1980s, on one hand, created the new face of the economy in 1990s, and, on the other hand, pulled Vietnam closer to its own form of "civil society." The clearest manifestation of this is the active participation of the people in social management at all levels. Civil society is a new concept in Vietnam, and totally different from that generally perceived in the West. NGOs in Vietnam are not really non-government entities in the sense that almost all have a close relationship with the government. These organisations were either set up by the government (mainstream organisations and mass organisations) or formed by retired government officials. This is the case of the Vietnam Union of Science and Technology Association, VUSTA, which brings together dozens, if not hundreds, of specific associations of scientists (e.g. chemists, mathematicians, economists) for semi-business purposes. In some cases, even on-the-job government officials work as consultants or advisors to NGO-cum-private consulting organisations. For many reasons, such as party regulations, constitutional barriers, a Confucian tradition of obedience to superiors, and a willingness to accept rules that enforce the status quo in exchange for economic gains, there are few signs of opposition movements or organisations that can form the structure of a "civil society" per se.<sup>64</sup> From this perspective, NGOs or other forms of civil society organisations are quasi-NGOs or very close to the government, or have no interest whatsoever in opposing the government. Thus, we must treat the concept of civil society in Vietnam from a special perspective.

As a consensus-based society, the Vietnam sense of community and belonging go back to village traditions where most behaviour strived to be in harmony with or to take into account "what others may think or say about you." Much like Japanese society, there is a fear (or reluctance, at least) of going against mainstream thinking and behaviour. This has made all levels of society cautious to avoid tension and the disapproval of others. This phenomenon could be an acceptable explanation for the constant revision of policies at the top in

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<sup>64</sup> Conway 2003.

response to pressures from below,<sup>65</sup> and for the “following the top” attitude at lower levels.<sup>66</sup> In the relationship between actors at the same level, consensus always dominates in setting patterns of interaction. This makes the process of policy-making slow and cautious. The phenomenon is better than the established terminology characterised as “consensus governance” or “polycentric power sharing,” leading to incremental change without radical shake up and collapse as experienced in the ex-Soviet Union.<sup>67</sup>

### Democracy at the grassroots level

The grassroots level (commune, village) is traditionally the weakest, most sensitive link in the political system in Vietnam. The recent socio-political disorders in Thai Binh, Nam Dinh, Dong Nai provinces were caused by the weakness of local authorities. In Thai Binh, corruption and other weaknesses among selected party and local authority leaders ignited stiff resistance of the local people led by local Veterans’ Associations. In Xuan Truong (Nam Dinh), corruption and bribery cases exposed by the people were unsatisfactorily resolved or incomprehensively settled, forcing people to stand up and show their disapproval.

These cases have helped the Vietnamese government understand that a lack of concern for the people’s rights, especially in rural areas, will set off spontaneous resistance. After the events in Thai Binh, the government issued on May 11, 1998 Decree No. 29/1998/ND-CP providing Regulations on democracy practice in communes. This is usually called the Grassroots Democracy Decree. Subsequently, the prime minister also issued an instruction to speed up the implementation of the new regulations throughout the country. This was a positive breakthrough in the setting up of a democratic system in Vietnam. People can now participate in decisions on the most important socio-economic activities in the localities under the principle of “people know, people discuss, people do and people check” together with an indirect democratic system (through the National Assembly and People’s Councils at all levels). Many localities have set up steering committees to exercise democracy with the participation of party members, state officials and inspection committees, and social organisations such as the Fatherland Front, the Veterans’ Association, and the Women’s Union, which supervise and make proposals on democracy activities.

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<sup>65</sup> Such policy-making behaviour could lead to an ineffective, weak government, exercising inconsistent, and sometimes contradictory, policy measures.

<sup>66</sup> If it becomes extreme, this behaviour promotes a non-democratic society with little initiative and reactions to whatever the top is doing.

<sup>67</sup> McCarthy 2002; Wolff 2002; Painter 2003.

Despite difficulties in practicing such grassroots democracy, it is clear that local authorities and social organisations have been able to combine their efforts effectively, especially in rural areas. According to a survey carried out among 800 people in some rural communes of Thai Binh in 2001, 63 percent stated that the regulations have great significance in their lives; 33 percent said that the regulations' effects were limited and less than one percent believed that the regulations were unrealistic.<sup>68</sup> Other provinces experienced more difficulties in implementation of the decree, which points to the often uneven implementation of policies in various provinces.<sup>69</sup>

## Participation of social organisations in socio-economic development

As mentioned above, maintaining the political nature of the state according to Marxism-Leninism, the Communist Party of Vietnam plays the role of orienting and directing the develop-

### Box 1. The Grassroots Democracy Decree, 1998

Democracy at the grassroots level means that local authorities must make policies public and open to the people, let them know, discuss and directly decide before state authorities make decisions; and encourage them to supervise and check democratic activity. These can be done directly or through local social organisations.

#### **People know (Dan biet)**

Local authorities must inform the people in a timely manner of important plans and activities to be carried out in their localities such as state policies, laws, long-term and annual development plans of local authorities, budget forecasts and actual budget balance of communes, resolutions and plans relating to loans for production development, results of inspections and checks over negative cases of state cadres, etc.

#### **People discuss (Dan ban)**

For important tasks within the power of local authorities, the people are entitled to discuss and give their opinions before the local authorities make decisions. These might include draft planning, socio-economic development plans in localities, plan to use land, compensation and site clearance.

#### **People do (Dan lam)**

The people will directly discuss and make decisions on issues relating to the direct interests of themselves and the community such as the resolution on infrastructure development, revenues and expenditures of funds, business and production protection.

#### **People check (Dan kiem tra)**

Local authorities have to set up a place to receive the people and set up a concrete timetable to answer the people's questions and claims relating to the performance of the local People's Council and Committee, land use and management, fees and charges.

<sup>68</sup> Phan 2002.

<sup>69</sup> Dau 1999, pp. 21–22.

ment lines of the country. The state, with its specific management mechanism, gives substance to these lines, converts resolutions into legal documents and assures a thorough application process. The people implement their right of ownership over the country, in relevant areas, indirectly through their representative organisations from the central to the local levels or directly through social organisations. Thus, in addition to certain management institutions such as the state and the Communist Party, a special character of the political structure of Vietnam is the legal acceptance of the participation of some socio-political organisations in management activities. Below are some socio-political organisations that compose the structure of political power and influence the political landscape in Vietnam.

**THE FATHERLAND FRONT OF VIETNAM** The Fatherland Front is an old socio-political organisation and has great influence on the political life of Vietnam. Considered an extended arm of the Communist Party of Vietnam, the organisation gathers socio-political organisations, religious organisations, patriotic personalities and intelligentsia, as well as overseas Vietnamese people to unite for the national construction under the leadership of the Communist Party of Vietnam. During the war, the role of the Fatherland Front was seen in two fields:

**Authority building and strengthening:** The Fatherland Front of Vietnam organised negotiations to select and recommend candidates to the National Assembly and People's Councils (people's representative organisations), and held meetings and discussions between candidates and people's representatives. At the same time, it supervised and made consultations on the operation of state bodies. In rural and mountainous areas, the Front contributed to the exercise of democracy and is thus seen as a representative of non-state stakeholders.

**Organisation of propaganda and motions – development of socio-economic movements:** Actual activities of the Fatherland Front were not limited to the political aspect. For economic development, especially the rural economy, the Front played a salient role through its regular mobilisation of socio-economic development movements from the central to grassroots levels. Agricultural encouragement groups and farmers' supporting funds with capital and cultivation techniques had been effectively organised by the Front, helping rural and mountainous areas to successfully meet community demands for rice and other foods. Regarding poverty reduction programs initiated by local authorities, the organisation acted as the project owner in remote areas with projects on afforestation and capital loans for production development before returning the outcome to the farmers.

**THE HO CHI MINH COMMUNIST YOUTH UNION** Established in 1932, the Ho Chi Minh Communist Youth Union has always been considered the right arm of the Communist Party of Vietnam in its vanguard position to organise ideologically educate young people along the communist line. During the war, thousands of its members came to battlefields in the South or participated in voluntary youth movements to build new economic zones or take infrastructure development for supplies and rotations to battlefields. At the moment, the membership consists of about 4 million youths nationally.

The Union's main duty is to educate young people by propagating the policies of the Communist Party and the State laws, and by mobilising young people to build up a new way of life. The Union also participates actively in promoting and dealing with complaints of young people in relation to democracy exercise in grassroots level by setting up groups to work with young people.

The Union organises technical training course for young members, mobilisation of members to build VAC (gardens, fishing ponds and breeding farms) or VACR (gardens, fishing ponds, breeding farms and forests) agro-economic farming models. There are about 10,000 youth-owned farms (the owner is under 35, the farm area is over 3 ha and the annual turnover is VND 15–20 million) created by the Union. This is equivalent to about 10 percent of the total number of farms in the country. These activities contribute to maintaining stability and mobilising the young generation in a less political way.

**THE VIETNAM WOMEN'S UNION** Vietnam has a high rate of women's participation and a relatively high rate of gender equity. Women account for slightly more than half of the population and of the social labour force. Vietnamese women have gained outstanding achievements in such fields as politics, economy, culture and social affairs. The Vietnam Women's Association has a membership of over 10 million. Generally, the association and its cells at all levels play an active role in production development stability and community poverty reduction. The Union has led the movement of "Women helping each other to develop household economy," and of "Poverty reduction through trust-based loans and preferential interest rates." Technology transfer training courses for members have helped thousands of families improve their lives. In areas of poverty reduction, the Union's members often take part in various schemes for poverty reduction such as micro-credit schemes offered to poor rural women.

In the political sphere, the Women's Union combines with the Fatherland Front to nominate candidates to people's representative organisations such as the People's Councils

## Box 2. The Women's Union

### Vietnam's Women's Union and the CPRGS

Although a pioneer organisation mobilising poverty reduction activities in Vietnam, the Women's Union still has to face barriers originating from lack of gender awareness, and mechanisms preventing the full participation of women.

The participation of women in local authority or socio-economic development programs is often formal or dogmatic, rather than honestly reflecting their real role and potential. Their contributions to CPRGS evidence this. Although the CPRGS is a very important government document for poverty reduction activities, the Women's Union's voice was rather passive despite of its motive force role in this field during the past 15 years. In the first draft, the gender issue was mentioned in only a few lines and essentially a recitation of popular slogans. Thanks to funding made by some international organisations, the Union organised a number of symposia and workshops. The ideas generated from these discussions led to important amendments to contents relating to gender in subsequent drafts of the CPRGS.

Procedure also poses an obstacle to women's participation in local activities. Promulgations on gender issues in the CPRGS are very general. Thus, mobilisation and sustaining the full participation of women needs concrete regulations and norms in specific areas. This is still a problem.

Finally, the system of state budget allocation also affects the situation. With the exception of a few provinces with high socio-economic development and their own enormous local budgets, most localities are unable to cover or even support social activities, including those of the Women's Union.

(in which female members account for 16.5 percent) and the National Assembly (26.2 percent). The Women's Association also combines its work with other organisations to check and deal with some violation of basic right of women at local level (e.g. the campaign against household violence and the basic healthcare campaign).<sup>70</sup>

**THE VIETNAM VETERANS' ASSOCIATION** Established in 1986, the Vietnam Veteran's Association has about 1.5 million members and about 10,000 cells from the central to the local levels. The Association, especially at the grassroots level, is recognised as the forum to which people can air their complaints because the Association's members are seen as selfless and impartial. The Association also actively seeks ways to answer people's complaints and acts as the connecting bridge in convincing local authorities to meet people's demands. The in-

<sup>70</sup> A recent evaluation of gender in the CPRGS shows clearly how women organisations lobbied in the final phase to have gender issues integrated in the strategy with quite obvious results. However, it also shows that the process of outlining the strategy was influenced by a range of power groups that pressured for inclusion of their specific ideas. Vu, Tran and Tran 2003. See also Wolff et al. 2002, pp. 40.

spection committees set up by local authorities and social organisations that supervise the exercise of democracy at the grassroots level always include the participation of Veterans' Association members.

Besides political activities, the Association has also initiated a number of movements to help its members co-develop their household economies. These include acting as project owners of poverty reduction programs, building models of household economic development and farming economy for members, organising discussions on production and sharing business experience among households.

**THE VIETNAM PEASANTS' ASSOCIATION** The Vietnam Peasants' Association has made a significant contribution to the success of Vietnam in changing the country from a nation with continuous tensions of rice and food supply to the world's second largest rice exporter. Established in 1988 together with the issuance of *Khoan 10* (Decree 10 on contract-based work), the Vietnam Peasants' Association has gradually consolidated its position as the material and moral support of Vietnamese peasants and has a membership of 7,585,000 people. The Association is involved in increasing business and production efficiency by settling issues relating to capital and technology – the two biggest concerns of farmers. The Association's Central Committee takes trust-based loans for its members because it often takes time and money for them to directly work with State “bureaucratic” creditors. It also combines with other professional organisations such as the Coffee Producers Association, the Tea Producers Association to organise training courses for farmers. Over 80 percent of Vietnamese peasants have gained familiarity with approaches to advanced cultivation and husbandry techniques, and 100,000 households have been trained and successfully develop centralised and highly professional agricultural models such as forest farms and centralised vegetable gardens.

### Local NGOs

Similar to these organisations, there are several mainstream mass organisations such as Trade Union, officially the “Vietnamese Confederation of Labour,” which covers about 20 branch unions, and other types of NGOs such as business and professional associations set up either under the Vietnam Union of Science and Technology Association (VUSTA) or from outside. In general, the roles of mainstream organisations tend to support the official line of government policy. Regarding professional associations and other semi-private business units, sometimes they behave like NGOs and work as a consulting firm as well. Apart from these, there have emerged a small number of new organisations, which operate

like genuine NGOs, with few economic interests and pushing or specific causes like children protection, environment reservation or rural development. While such organisations are embryonic features of a civil society in Vietnam (in the classical concept), their influence so far is limited.

Several authors note that the concept of semi-authoritarian and semi-consensus society could well be adapted to Vietnam. A consensus-based attitude, in combination with the dominant power of the ruling Communist Party, a web of complicated formal and informal relations (sometimes based on co-village, co-commune, co-province, as well as homeland, *dong huong*, literally meaning co-homeland or same rooting), and a feeling of collectivism and solidarity have all made Vietnam's political culture difficult to grasp for many scholars, even Vietnamese. However, it is clear that for the last 15 years, the political landscape of Vietnamese society has changed radically, opening space for debate and more participation from all walks of life in the policy-making machinery. This wide impact took place not only domestically but also in Vietnam's relationship with international actors. Through *doi moi*, economic reforms in agriculture and public administration, enterprise reform and liberalisation of international economic relations, the power structure has shifted towards a new kind of democracy, a Vietnamese-style "civil society." This certainly has an important impact on the poverty reduction process in Vietnam and will likely have even more in the future.

The civic organisations emerging in Vietnamese-style "civil society" can also be seen as a non-state sector, albeit uncritical towards the state. This sector might be both complementary and an alternative to the state. It is probably strongest in the cities, but also appears in other forms in rural areas.<sup>71</sup> These civic groups are meek and poorly organised. The dozens of LNGOs based in the cities are the exception, among them a few close to the Western type of development NGO, are inspired by approaches in other countries. These organisations were often established to promote employment for retired government employees with strong links to government circles.<sup>72</sup> A new business-oriented NGO, which feels constrained by the government system, is also emerging. This type, often headed by Western-educated persons, is both critical of the modus operandi of the system and foreign donors, yet makes its living by doing business for the system and foreign donors. Nevertheless, they maintain their ideal of alleviating poverty and often cooperate with the INGOs.

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<sup>71</sup> Care International 2002; Fritzen 2001.

<sup>72</sup> Pedersen 2002, p. 70 ff.

## LNGOs and their cooperation

LNGOs have recently begun to organise themselves in networks, and already two informal networks can be identified. Indeed, one main initiator concedes their weakness, but even then offer advantages.<sup>73</sup> LNGOs depend on foreign funding for about 70 percent of their resources.<sup>74</sup> Even if the cooperation with INGOs is not particularly close, several sources note that the LNGOs have not only submitted opinions to the government and meetings, but also indirectly through the INGOs, in the I-PRSP and CPRGS processes.<sup>75</sup>

The LNGOs have good reasons for wanting good relations with the INGOs and other donors, because they are dependent of funding through these channels. However, the LNGOs also differ among themselves in viewpoints in respect of the CPRGS, networking and general philosophy. Interviews with a number of LNGOs involved in the Poverty Task Force revealed a high level of diversity among Vietnamese LNGOs. Some are more similar to NGOs in Western countries with good cooperation with the INGOs and funded through those channels. The most active LNGO networkers participated in the CPRGS process and see the World Bank as opening the door for LNGOs. Others are less interested in networking and the international environment, but occasionally have worked for international organizations on a consultancy basis (see Box 3).

Most LNGOs are led by strong personalities, who worked in the Vietnamese bureaucracy before retirement.<sup>76</sup> The organisations were often established to continue various social activities and create employment. Only a few have their origins in working with INGOs or donor agencies. The new more business or consultancy-like NGOs are often initiated by younger persons trained overseas, who are not included in the bureaucracy upon return, or find they have more space and ability to operate independently. Most of the NGOs carry out work for the government, donor agencies, or both. There is a generation difference between the older and the newer LNGOs. The older ones are increasingly inclined to cooperate and take part in public debates, while remaining dependent on a well-known personality. The older LNGOs are accordingly trained in the same political culture as the society at large, but they have also developed expertise and knowledge from

<sup>73</sup> Dang and Nghiem 2001a, pp. 14–17.

<sup>74</sup> Pedersen 2002, p. 64, 78.

<sup>75</sup> Dang and Nghiem 2001, p. 24; Civil Society Participation in PRSP 2000, p. 14.

<sup>76</sup> Retirement was earlier set at 50 years for women and 55 years for men, yet most employees in the bureaucracy had good ability to continue their work. The retirement age is today 55 for women and 60 for men.

their more independent operation and have acquired management and methodological skills and ability from foreign NGOs. This knowledge is useful in conducting a dialogue with the establishment. Relative independence from the government also gives space for the development of new ideas and considerations of how the transformation has taken place in Vietnam, and the possible role of new types of organisations which they themselves represent. It has been increasingly easier for the longer-established LNGOs to operate in a society where many new organisations are appearing and the market for consultants is quite favourable.

Even if the INGOs have supported LNGOs, a certain ambivalence towards LNGOs can be observed. As a possible bearer of a new civil society in Vietnam, these organisations could have found themselves in conflict with bilateral donors, including INGOs over funding. That has not been the case. The hesitance of the donors has been explained in several ways: "The Vietnamese NGOs are not real NGOs." "They are too close to the state." "They are not democratic." Some of the large donors expect the LNGOs to first prove themselves worthy of support, and some of the INGOs do not find them strong, critical and vibrant, and have preferred to carry out activities themselves. Foreign observers have even stated that the INGOs substitute for the local INGO to such an extent the LNGO's have been crowded out of obtaining influence. We argue here that if the conditions for local organisations had been present, they would have appeared earlier.

The opinions among the LNGOs vary widely. Some LNGOs point to the lack of support from the INGOs, while others show less interest in working with the INGOs, and some find they have good cooperation. The political culture and rules were unfavourable to the LNGOs until around the mid-1990s, and a process is ongoing where new "elements" are increasingly accepted. In traditional political culture, there is no concept of a non-state organisation. *Phi chnh phu* means non-government, but *phi* alone has the connotation of something unorganised and therefore does not ring positive to Vietnamese, who feel most things should be organised.

With respect to the Partnership Process, some LNGOs perceive the process as positive and find that it has created more space for the LNGOs, even if they sometimes have to let INGOs present their voices. They are still waiting to see results of the CPRGS, but more recently some of them now begin to participate actively in poverty assessment related to the regional poverty assessment, one of the steps in implementing the CPRGS. They cooperate with the government in poverty reduction projects, where they find that the government and the LNGO have complementary abilities. Still, they feel weak and have little support from the system.

### Box 3. A view from a local NGO

“The World Bank lacks new and innovative ideas and they introduced this CPRGS as a new way to deal with developing countries. The Vietnamese government is active in responding to this new initiative, as both sides want to see this process as a sign of goodwill in working together, without the Vietnamese side knowing for sure what specifically would come next and what the donor side would expect them to do once the document was finished.”

“The CPRGS document and its meaning are known only to a small number of officials in selected ministries at the central level. Even the departments of the MPI do not know much about this exercise. The drafting team was led by a deputy director of one department in MPI, and received less attention than other exercises of the Vietnamese government. The process and document are little known either at the provincial level or in many other ministries. It has received little publicity and is not known who, outside the expert groups, was involved. The process seems not to be a priority task compared to pure Vietnamese documents and processes such as drafting the socio-economic strategy for 2010 or the five-year plan and annual plan. The production of the CPRGS is seen as far from the budget allocation process and so far little is known on how the CPRGS will affect spending.”

“Some LNGOs have not taken part in the process as official partners. However, their core staff have occasionally been involved in activities that support CPRGS process. One was the organisation of a series of roundtables via videoconference linking many cities around the world. Only a few officials took part, and the conference took place in VDIC and discussed poverty reduction issues. Some LNGO senior staff members have been hired by the World Bank and UNDP to undertake various small studies and assessments related to poverty alleviation. This is useful, but it does not occur on a regular and formal basis.”

“The International NGO Resource Centre invited selected Vietnamese NGOs to take part in their Poverty Policy Learning Group, a kind of informal forum of the NGO to discuss relevant issues. Not all invited organisations were ready to join, seeing little benefit from this activity.”

“Significant features of the CPRGS:

- The CPRGS is the first official document produced through broad-based efforts that combines the themes of poverty reduction and growth at the national level. Unlike the Hunger Eradication and Poverty Alleviation program of the MoLISA which is more concrete and involves specific intervention in poorest communes and localities.
- The CPRGS is, in theory, an official platform for donors to work on loans with Vietnamese government and to plan their own moves and focus. To make this happen, it needs to be translated into provincial action plans and incorporated into Vietnamese strategy development, policy-making and planning.
- Participation in the CPRGS drafting process has been a good experience for the government and, to some extent, the LNGOs, in providing exposure, training, and capacity building in working with the INGOs.”

The second type of LNGO, which is probably still the most common type, is organised around a retired government employee. A few have been active in the Partnership Process, but most carry out local activities on behalf of or together with the government or foreign donors. They mainly work within the frame of the system, but try to voice views on ways to improve the situation of poor people.

The third, most recent type of LNGOs, is more business-minded and more critical of the Partnership Process, which is seen as a “big player game” where the outcome is unclear, due e.g. to inadequate funding (Box 3). This type of LNGO is less involved in public administration.

## 4 The partnership process and transnational donors

Why did Vietnam become the first country in Asia to develop a full PRSP? This question embraces a number of issues involving both the Vietnamese and the donors. This chapter looks mainly into the donor side, including the transnational donors: the multilateral, the bilateral, and the INGOs. The position of LNGOs is also discussed in relation to the other donors. Through the Partnership Process a new type of cooperation was introduced in the Vietnamese context. What were the motives of the various organisations to enter the process and who gained from it?

### **Early contact with the transnational donors and reforms in Vietnam**

The 1970s were difficult years for Vietnam. There was the political break with China, the global perception of the Vietnamese intervention in Cambodia in 1978–1979 and the Chinese attack on Vietnam in February 1979. Around 1980, the crisis was so severe that there was a general lack of food in the cities and the country suffered from a dilapidated production apparatus. International relations outside USSR and Eastern Europe had diminished because of the Vietnamese troops' presence in Cambodia, and Vietnam was, with few exceptions, isolated from the West and the Asian countries. The number of donors was limited, and some of them left due to disapproval of Vietnamese policy. Only a few donors like the UNDP, UNICEF and Swedish Sida, which have long records of cooperation with the Vietnamese government, and small number of international NGOs, including Cidse and Oxfam GB, which started their work in the late 70s and early 1980s, stayed during the years of isolation.<sup>77</sup> These organisations continued their

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<sup>77</sup> Save the Children started its work in Vietnam around 1990.

work in Vietnam during the difficult years, slowly earned a good relationship with the government, and the two sides established a certain confidence in each other in a period where the Vietnamese authorities in general were most sceptical to Western organisations and influence. The Soviet Union was the main political and economic partner of Vietnam at that time.

Vietnam had little contact with the Western international development community throughout the 1980s, when structural adjustments policies (SAPs) dominated the development agenda based on new waves of neo-liberal ideas. The decade was characterised by increased indebtedness of developing countries both in middle-income Latin America and in the low-income countries of Africa. Vietnam's debt was substantial, because of old debt from the former regime (pre-1975 in the South) to the International Monetary Fund and to the former Soviet Union (after 1990), but still relatively smaller than the debt of most African countries. The IMF wanted the old debt from the former regime repaid as a precondition to normalising relations with Vietnam, which finally happened in 1993. The Soviet-Russian debt became a subject for further negotiations. Vietnam never entered the club of the Highly Indebted Poor Countries (HIPC), because its debt was not critical enough. Nevertheless, the reforms of the late 1980s can well be seen as "structural adjustments" that occurred in a different context than in many of the African countries, because the agenda and speed were set by Vietnamese national forces, even if foreign advisors were involved in providing advice in a number of areas. The advisors didn't have the same power to set conditions that they enjoyed with the countries receiving adjustment loans and facilities from the Bretton Woods organisations under the Washington Consensus. Vietnam's *doi moi* reforms were more than economic adjustments – they revolutionised the entire set of development concepts and strategies.<sup>78</sup> Before 1993, UNDP was by far the largest, most important multilateral agency providing policy advice and to some extent coordinating the donor community.

The end of the Cold War and the collapse of the Soviet regime changed Vietnam's geopolitical situation around 1990. New markets and new allies to cooperate had to be found. The reforms in Vietnam had also reached a new stage; the market had become an important component in the national economy. Most of the fundamental reforms occurred at the end of the 1980s: a quasi-convertible currency was introduced to replace of the grossly overvalued currency; a new investment law was enacted; agriculture was "de-cooperativised;" central planning and the subsidies system for basic livelihoods goods were abolished; and enterprises, even SOEs, were given self-determination. Neo-liberal approaches were introduced into development thinking

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<sup>78</sup> de Vylder 1995, pp. 36–37.

as an acknowledgement that the state was unable to provide the growing population with basic needs, and even less consumer goods, than what most neighbouring countries could provide their people. Some of the neo-liberal policies were necessary to enter the world market and attract resources from abroad, but others also left the initiative for managing their livelihoods to the individual and households. Nonetheless, the government continued to let the state maintain control of key economic areas, and to be the leading factor in economic development.

The US government refused to establish diplomatic contacts to Vietnam well into the 1990s, which blocked for normalisation with the Western community at large. At first this was due to Vietnamese troops' presence in Cambodia. When that was solved, the MIA (missing-in-action) issue kept turning up at the agenda each time the US government was about to normalise relations with Vietnam. Contacts with the Bretton Woods institutions had nevertheless been established for several years, and the multilateral agencies were eager to start lending in a new country, which potentially had an attractive market for transactions of the Bank and the Fund. Many believed that Vietnam could be the next tiger in the region. The IMF provided advice on the major national reform packet in 1987–1988, which included aligning the exchange rate to the black market rate of the dong, liberalising foreign trade relations, de-collectivisation of agriculture, decentralising SOE decision-making and improving foreign investment laws.<sup>79</sup> Low-level contacts between the World Bank and the government took place between 1988 and 1993 at the request of the Vietnamese government.

When relations with the US were finally normalised in 1994, the World Bank physically entered Vietnam, starting with the posting of a few fairly low-level representatives to headquarters in a hotel in Hanoi. A small office opened later, at a time where the transnational donor community at large had already started to move massively into the country. The first donor meeting took place in 1993, and in 1994, the first Consultative Group (CG) meeting of donors was organised and mainstream regular contacts. From its first representatives in Hanoi, the World Bank followed a policy of openness to the emerging INGO environment. One of its first acts was to set up an information office.

### **Reforms in the Bretton Woods institutions and poverty reduction in Vietnam**

The World Bank strategy in Vietnam was fairly traditional for the institution, a combination of structural adjustment programs and support for social sectors, including: macroeconomic stabilisation, structural adjustment to improve the environment for the private sector vis-

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<sup>79</sup> World Bank 2001a, p. 19.

à-vis SOEs, reform of the financial sector, support for infrastructure, promotion of growth and poverty alleviation through support for education and health, and environmental protection.<sup>80</sup> It accorded with the changing ideas in the World Bank at the time, that the public spending had to be maintained, not cut down as had happened in other countries, but still with a macro-economic emphasis in the lending policy.<sup>81</sup>

Tensions have at times erupted between the Bretton Woods organisations and the government, especially in the end of the 1990s, when the Bank, and even stronger IMF, complained that the reform process in Vietnam progressed too slowly. For almost two years no new loans were submitted from IMF, due to the lack of an agreement. Only after the I-PRSP was signed, were new funds approved and released. The conflicts centred around the slow speed of equitisation<sup>82</sup> of the state-owned enterprises (SOEs), reform of the state banking sector, public administration reforms, and the lack of support for the private sector environment.

However, the economy expanded annually at a rate of 7–9 percent in the 1990s. The first poverty assessment, initiated by the World Bank, was published in 1995, based on the first living standard survey of 1992–1993 provided with economic support from the Swedish Sida and UNDP, and carried out with World Bank technical support. The first general data found a poverty rate of 58 percent, according to international standards, against an estimated level of 70 percent in the 1980s. The donor community responded enthusiastically in 1999 when the second living standard survey, published in 1999, showed poverty had been reduced to 38 percent. The dramatic reduction in poverty, with fairly high equity, was a clear sign of success for both the donors and the government. This outcome was quite impressive, and despite the Asian Financial Crisis and excessive optimism it created.

## **Comprehensive Development Framework: New Bretton Woods policies and strong leadership**

The new Washington policy ideas under the heading “Comprehensive Development Framework” were first presented by James Wolfensohn, the director of the World Bank, and Stanley Fisher, then Acting Managing Director of IMF, in 1997. It was, in short, an attempt to set up

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<sup>80</sup> Ibid. p. 5. Total IDA lending to Vietnam 1994–2001 totals USD 3,208 million divided as follows: agriculture and environment 20%; education 5%; finance 1%; macro-multisector adjustment 14%; population, health, nutrition 5%; power 22%; transportation 23%, water supply and sanitation 11%. Ibid. p. 7.

<sup>81</sup> World Bank 1995, pp. 10–17.

<sup>82</sup> Equitisation is a concept introduced in Vietnam, whereby SOEs are transformed into shareholding companies, but not necessarily taken over by private capital. The share could also be bought by state capital or the employees.

new forms of structural adjustment programs (SAPs) with a more targeted focus on poverty reduction and a flexible implementation with increased country “ownership.” A number of new elements were introduced to the model based on the macro-oriented, conditionality-based SAPs. In spite of discussions whether the new policy was old wine in new bottles or not, it has fairly broadly been accepted to constitute a Post-Washington Consensus. Specific themes of importance for both governments and donors included:

- A comprehensive, e.g. multidimensional (holistic) development framework including all relevant policies and the donor side,
- Result-oriented for outcomes benefiting the poor,
- Long-term perspectives for poverty orientation,
- The process should be country-led and country-owned,
- The process should be participatory, and
- The process should improve the aid relationship.<sup>83</sup>

Some of the principles were difficult to translate into the Vietnamese context and even contradicted each other, as when the principle of “local ownership” clashed with a donor notion of a “participatory process” that was new and unfamiliar in Vietnam. Moreover, to “coordinate all relevant policies” were contrary to the institutional and political traditions in Vietnam, where the institutions horizontal linkages are very weak. The coordination of internal policies and donor policies was a challenge to both parties, as the government and donor coordination usually took place in two tracks. Moreover, the donors’ coordination among themselves was an area with great difficulties. Others, like “long term planning,” and “benefits for the poor” were easier to implement in Vietnam, with its long tradition for planning and ideological commitment to equity.

In 1997, the first country director, Andrew Steer, was stationed in Hanoi, and the donor coordination was invigorated through a stream of new initiatives.<sup>84</sup> A process of decentralisation of the World Bank’s operations from Washington to the donor countries was taking place simultaneously, and Vietnam was among the countries with a large *portefeuille*. From

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<sup>83</sup> The basic ideas derive from longer studies including, Jerve et al. 2002; Wolff et al. 2002; Civil Society Participation in Poverty Reduction Strategy Papers 2000.

<sup>84</sup> Andrew Steer had been head of the environmental department in the World Bank and was the main editor of the World Development Report about the environment. He has been in close contact with the reforming factions in the World Bank involved with the NGO–World Bank Committee. This committee strongly urged poverty and equity in development cooperation, participatory processes and cooperation with NGOs.

about eight employees in 1997, the staff increased to 80 or 90 by 2002–2003. At the Consultative Group (CG) meeting in December 1997, the country director of the World Bank and CG chairman looked for new reforms rounds, and the donor community complained about lack of aid efficiency. The Vietnamese side presented its own reform agenda, but remained mostly observers.<sup>85</sup> In early 1998, the World Bank started to develop a Country Assistance Strategy (CAS) for Vietnam, a country program format that the World Bank increasingly has used as an instrument to outline a three-year plan and discuss development issues, in principle, with all societal partners, including NGOs. However, in many countries the NGOs complained loudly about not being included in this process. The usual World Bank practice earlier was only to consult with the government, and the documents resulting from the consultation were often kept confidential. In Vietnam, the outlining of the CAS took place in cooperation with the UN system, employed consultation with some international NGOs, and mass organisations, particularly Women's Union.<sup>86</sup>

According to the CDF aims, poverty reduction is the central objective. In 1998, the suggestion of a poverty assessment based on the data from Living Standard Survey No. 2 carried out in 1997–1998 was launched by the World Bank. The donor community cooperation was to a considerable extent revitalised with the World Bank as the leading agency, and the new approach to carry out “participatory” cooperation. In early 1999, the Bank suggested that the MPI set up a joint government-donor-NGO Poverty Working Group (PWG), and a smaller and flexible institution, the Poverty Task Force (PTF), which was introduced to handle the urgent issues and implementation. It was decided that the annual report to the donor CG meeting, the “Vietnam Development Report” would address “poverty” and that the report would not only be the product of the World Bank, but of the whole Poverty Working Group. This began the process of poverty assessments, eventually published as *Vietnam: Attacking Poverty*.

The process surrounding *Attacking Poverty* is regarded by some donors as a centrepiece of the innovative policy exercise involving the international community, government, centrally and local, and the INGOs. *Attacking Poverty* was based on data both from the government's qualitative measures in the VLSS (Vietnam Living Standard Survey), and from qualitative assessments of poverty based on four PPAs (Participatory Poverty Assessments) implemented by three British INGOs (Oxfam, Action Aid and Save the Children), and a Swedish develop-

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<sup>85</sup> Jerve et al. 2002, p. 5.

<sup>86</sup> Civil Society Participation in Poverty Reduction Strategy Papers 2000.

ment program in the Northern Mountains.<sup>87</sup> The four PPAs brought “hundreds of decision makers at various levels of society together, local officials from village level to ministry level together with local Vietnamese professionals and NGO structures in workshops to discuss the findings, and district and provincial authorities have agreed that these studies reflect the realities.”<sup>88</sup> According to a DfID sponsored report, “The major strength of this exercise is that it has been translated into policy issues in a way that offers options and challenges to the Government, without being prescriptive. Its significance in policy terms is enhanced by the timing – provided potential input to the development of the next 5-year plan for Vietnam.”<sup>89</sup> At the presentation of *Attacking Poverty* at the CG meeting in December 1999, 20 local NGOs were invited for the first time to participate with the other representatives.

The Vietnamese government requested that Vietnam be designated in 1999 a pilot country for the CDF, indicating that it was interested in further credits. In early 1999, the government invited the Poverty Working Group (PWG)/Poverty Task Force (PTF) to advise on a poverty strategy to be incorporated into its five-year plan and ten-year strategy.<sup>90</sup> In March 1999, when Vietnam was selected to be a pilot country within the World Bank’s CDF program, the CDF went into development. It was formalised by the CG, and the Prime Minister instructed the responsible ministry to work with the PWG to prepare a Comprehensive Poverty Reduction Strategy, which was intended to feed back into the government’s planning process. After that it was to be agreed upon by government and donors in June 2000 – ideally turning it into a donor support strategy for the government’s poverty efforts, as set out in the five-year plan.<sup>91</sup> The grand prospect for the donors was an attempt to bridge the gap between the Vietnamese and the donor’s two-track planning system.

On the Vietnamese side, the planning of the 9th National Congress of the Communist Party started around 1998. A five-year plan was to be approved at the party congress. The decision was to pass two plans, a Five-year Plan for Socio-economic Development from 2001 to 2005, and a Ten-year Strategy for Socio-economic Development in the period 2001–2010. The planning of these documents coincided with the donor-partnership processes. During 2000, several drafts of the party plans were discussed at all levels in institutions around

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<sup>87</sup> Communes in four provinces were included in the assessments: Lao Cai, Ha Tinh, Ho Chi Minh City and Tra Vinh.

<sup>88</sup> Vietnam Development Report 2000 (1999), foreword.

<sup>89</sup> Civil Society Participation in Poverty Reduction Strategy Papers 2000.

<sup>90</sup> *Ibid.* Vol I.

<sup>91</sup> *Ibid.*

the country. A fairly refined draft version was published in newspapers, the most public of any five-year plans to date. The plans were finally passed at the 9th Party Congress in April 2001. Cooperation with the Poverty Working Group, and the internal government discussions about Vietnam becoming a pilot country in the World Bank's Comprehensive Poverty Reduction Strategy were not mentioned in the party documents, the political report, the five-year plan or the ten-year strategy.<sup>92</sup>

### **From PRSP to the Comprehensive Poverty Reduction and Growth Strategy**

While the work on the participatory poverty assessments for *Attacking Poverty* was carried out, the work on the Comprehensive Development Frame started. The CDF, the term we use here, was rarely referred to as such, but rather mentioned as “partnership.” PRSP discussions were not started in Vietnam until the middle of 2000 to avoid complicating the planning already underway with the Country Assistance Strategy. In fact, it is a continuation of the same discussions, which has caused confusion. The interim PRSP (I-PRSP) is a document that was a precondition to the outlining of the full PRSP, a planning framework for obtaining adjustment loans. At first, some donors expected that the existing Poverty Reduction Strategy of the Ministry of Labour, Invalids and Social Affairs (MoLISA) could be used as a PRSP.<sup>93</sup> However, power in the Vietnamese administration started to shift from MoLISA to the Ministry of Planning and Investment (MPI), and when the work officially started in April 2000, the government had designated MPI to be the focal point to develop the I-PRSP.<sup>94</sup> The documents were drafted up to the December 2000 meeting of the Donor Coordination Group (CG). A draft Comprehensive Poverty Strategy to 2010 was prepared by MoLISA, and an interim Poverty Reduction Strategy Paper (I-PRSP) drafted by MPI.<sup>95</sup> The I-PRSP was approved by the government in March 2001. The board of the World Bank and IMF approved it shortly after and credits were endorsed: A Poverty Reduction Support Credit (PRSC) of USD 250 million in June from the World Bank, and a Poverty Reduction Growth Facility (PRGF) of USD 386 million from the IMF already in April 2001.

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<sup>92</sup> All three documents are to found in Communist Party of Vietnam 2001.

<sup>93</sup> Civil Society Participation in Poverty Reduction Strategy Papers 2000, p. 3.

<sup>94</sup> Various sources inform that the government asked the poverty Working Group to work with MoLISA and MPI. Following the documents produced in the process there is not explanation, but the MPI becomes the leading agency during the process, which initially was coordinated by MoLISA on the Vietnamese side.

<sup>95</sup> Vietnam Development Report 2001 (2000), p. 11. The reports consist of two parts, an Overview written by the World Bank, ADB and UNDP, and the second part by the Partnership group. The World Bank published both reports.

As part of this process, the Poverty Working Group/Poverty Task Force was resurrected in a slightly new format after the *Attacking Poverty* assessment presentation in December 1999.<sup>96</sup> Three INGOs and three local NGOs were invited to join the new PTF in 2000. The government worked to outline the I-PRSP with input from the PTF. The Partnership Process had taken quite substantial dimensions at the central level, including establishment of partnership groups in 25 different areas, some based on earlier cooperation between donors, ministries, INGO and local institutions, but most of them of fairly recent origin.<sup>97</sup>

In the next stage of the process, from early 2001, the PWG/PTF got the task of providing input to the sectoral strategies and the impact on poverty reduction in the Comprehensive Poverty Reduction Strategy. The joint government-donor-NGO working group also outlined key development targets for eight sectors – poverty, infrastructure, governance, health, ethnic minorities, environment, social protection and education. The government named the strategy the “Comprehensive Poverty Reduction and Growth Strategy” (CPRGS), insisting on the inclusion of the word “growth,” which it considered vital for poverty reduction.

A new round of participatory consultations in the provinces took place on the contents of the I-PRSP. In the span of 14 months, a drafting committee of 52 government officials representing 16 agencies and ministries worked on the final CPRGS.<sup>98</sup> Consultation took place at the national, sub-national and community levels. Community consultation took place at six sites across Vietnam at the request of the MPI. The work was performed

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<sup>96</sup> The lead figure on the World Bank side was Nisha Agarwal, who worked consistently to include the participatory approaches, and the INGOs in the process.

<sup>97</sup> Partnership groups include: Poverty Working Group; Gender Strategy; Environment; Civil Society and Community Participation; Private Sector Forum; State-owned Enterprise Reform & Equitisation; Banking reform, Trade Reform, Small and Medium Enterprise Reform; Basic Education; Health; Forestry and the Five Million Hectare Program; the Partnership to Support the Poorest Communes; Food Security; Central Provinces Initiative to Mitigate Natural Resources Disaster in Central Vietnam; Participatory Provincial Partnership Tra Vinh; Water; Fisheries; Transport; Ho Chi Minh City Official Development Assistance Partnership; Urban Sector; Energy; Public Administrative Reform; Legal Sector; Socio-economic Development Strategy (2001-2010) Partnership. Vietnam Development Report 2001, p. 2.

<sup>98</sup> MPI, Ministry of Finance, State Bank, Committee for the Reform of the SOEs, Ministry of Trade, Ministry of Industry, Ministry of Agriculture and Rural Development, Ministry of Construction, Ministry of Transport and Communication, Electricity in Vietnam, MoLISA, Ministry of Education and Training, Ministry of Health, Committee on Ethnic Minorities and Mountainous Areas, Ministry of Foreign affairs, Government Committee on Organisation and Personnel, General Statistical Office (Wolff et al. 2002, p. 27).

by five INGOs at five sites and at one site by World Bank consultants.<sup>99</sup> During this exercise, 1,800 people from poor communities were asked to relate the proposals in the I-PRSP to their own lives and experiences of poverty, make proposals for improvements, note gaps and suggest revisions.<sup>100</sup> The CPRGS was submitted for the government's approval in May 2002.

The documents presented, both the I-PRSP and the CPRGS, were prepared by the government's drafting committees without donor interventions. Foreign consultants took part in formulation of the background papers. They were employed by the various ministries and agencies to outline the eight basic papers for the strategy. Only one paper was exclusively written by Vietnamese researchers (for further reference to the documents, see Chapter 6).

### **The participatory process**

The exercise from the beginning of the Partnership Process to the approval of the CPRGS was an impressive task lasting four years. The CPRGS itself took around 14 months, and the I-PRSP 12 months. Each step of the process consumed a huge amount of human effort and resources. No former exercise can compare with the grandiose stage of the preparation and presentation of the CPRGS. This report does not go into all the details,<sup>101</sup> but simply presents the overall activities, and considers how INGOs and NGOs were involved in the process.

### **INGO and NGO involvement in the Poverty Working Group and Poverty Task Force**

#### **After Attacking Poverty**

INGO involvement in the participatory policy process was partly institutionalised by the decision to let them take the lead in four participatory poverty assessments which provided input into the second report on poverty, *Attacking Poverty*, in 1999. The three INGOs (Oxfam GB, Save the Children UK, ActionAid) and the Swedish bilateral project "Northern Mountain Rural Development Program" became members of the Poverty Working Group together with

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<sup>99</sup> The INGOs included ActionAid, the Catholic Relief Service, Oxfam GB, Plan in Vietnam, Save the Children UK. Catholic Relief Aid and Plan in Vietnam were new compared to the first round of PPAs, the other INGOs were the same and the sites were the same as in the first round. Two new provinces were added: Quang Tri and Vinh Long.

<sup>100</sup> Shanks & Turk 2002b, p. i.

<sup>101</sup> Further documentation has been made available to the website of the Vietnam Development Information Centre, [www.vdic.org.vn](http://www.vdic.org.vn). A more detailed review of each meeting in the PRSP drafting process is found in Wolff et al. 2002, pp. 20–35.

**Box 4. Chronology of selected Government and Poverty Working Group/Poverty Task Force activities, January 1999 to September 2002.**

	Poverty Task Force/PWG Activity
January 1999	Government-Donor-NGO Working Group established.
January–June 1999	Four participatory poverty assessments.
December 1999	Vietnam: Attacking Poverty published by PWG.
January 2000	PTF supports drafting of the government's Ten-year Strategy for Hunger Eradication and Poverty Reduction.
July 2000	Three-day workshop held in Sapa; more than 100 government officials, donors and NGOs participate to discuss strategies for poverty reduction across all sectors.
July 2000	Government asks PTF to support I-PRSP preparation led by MPI.
July–December 2000	PTF supports MPI with local consultants, technical assistance and funding for national consultations on I-PRSP.
December 2000	Socio-economic Development Strategy, sectoral strategies and I-PRSP discussed at CG meeting.
March 2001	PTF agrees to support government work on developing the I-PRSP into a Comprehensive Poverty Reduction and Growth Strategy and set targets for CPRGS.
May–September 2001	Analytical work on outcomes and Vietnam Development Goals – eight thematic papers produced.
September 2001	Haiphong Workshop to discuss Vietnam's development goals, 100+ participants; MPI requests assistance in carrying out community level consultations on the CPRGS. Design work for community consultations begins.
December 2001	Work of VDG presented and discussed at the CG meeting.
December 2001	Fieldwork for community-level consultations on draft CPRGS (I-PRSP).
January 2002	Community consultation site reports presented to PTF.
January–May 2002	Four national and four regional consultation workshops on draft CPRGS, community consultations presented.
May 2002	Final CPRGS presented at informal mid-term CG meeting in Ho Chi Minh City.
October 2002	Haiphong workshop with 300 delegates to discuss implementation of the CPRGS policy matrix.

Source: Shanks & Turk (2002), p. 7.

eight ministries<sup>102</sup> and four donors.<sup>103</sup> The INGOs were members because of their abilities to carry out the participatory assessments, called PPA partner agencies, and one of them was not an INGO at all, but a bilateral project, where participatory experiences were developed.<sup>104</sup>

<sup>102</sup> The Vietnamese ministries and institutions included: Ministry of Planning and Investment; Ministry of Finance; State Bank of Vietnam; Ministry of Agriculture and Rural Development; Ministry of Labour, Invalids and Social Affairs; General Statistical Office; Committee for Ethnic Minorities and Mountainous Areas; Women's Union.

<sup>103</sup> Donors included DfID, Sida, UNDP and the World Bank.

<sup>104</sup> It was difficult to find organisations and project with sufficient experience to carry out the fairly large-scale PPAs.

The Partnership Process hit a steep learning curve, but at the start the format and leadership was not yet clear. For example, UNDP called a meeting in May 1999 of the “donor-government-poverty working group.” Mr. Nguyen Hai Huu, director of the Social Protection Unit in MoLISA and director of the secretariat of the Hunger Eradication and Poverty Reduction program was invited to present the program. Mr. Huu was himself a central member of the PWG, but that was not clear from the invitation. UNDP, still the leading agency of the process, called the NGO Resource Centre<sup>105</sup> a few days before the meeting in an attempt to ensure that INGOs would show up. Apparently, they were not invited. During the work on *Attacking Poverty* in 1999, the participants had become a coherent working group, but due to its ad hoc nature, the members of the PWG and the PTF were not reunited after the presentation of *Attacking Poverty* in December 1999. In February 2000, a year after the first call of the partnership group, UNDP invited to a new meeting of the government-NGO-donor group. The three PPA INGOs were present together with a total number of 42 participants. Nevertheless, the membership of the PWG was still not clear.

### The World Bank takes the lead in the PTF

In early March 2000, the head of Oxfam UK in Vietnam contacted a Washington-based World Bank specialist on poverty working in the East Asia section, who had good relations with the INGOs. She raised a number of issues about the character of the PRSPs, and indicated that the process did not appear to be transparent.

However, a few days later, the World Bank’s Head of the Poverty Unit, Lead Economist Nisha Agrawal, informed the NGO Resource Centre in Hanoi of a new structure of the PWG and that the PTF had a new format. She reported that the structure of the PTF would be opened up for more participants, but divided with a restricted number of participants of each type of organisation. The INGOs and the national NGOs were allotted three seats each. Moreover, a list of criteria for the potential participants was forwarded. Under the criteria elaborated by the World Bank, all PTF members were required to:

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<sup>105</sup> The NGO Resource Centre is a network of international NGOs working in Vietnam. It was established in 1993 as a service organisation. It is non-profit organisation, from 1998 recognised officially and from then governed by a committee with representatives from the NGO Centre, The Vietnam Union of Friendship Organisations and People’s Aid Coordinating Committee. It has published an INGO directory that included 300 of the about 500 INGOs operating in Vietnam. The membership of the Centre in 2002 was about 100.

- have an organisational mandate to work on prolonged development for poverty reduction,
- be prepared to give consistent senior staff time for review of documents, and
- possess credible and authoritative experience working in broad poverty reduction in Vietnam
- and be prepared to contribute to tasks of the group, and possibly funding or organising background research.<sup>106</sup>

### INGO membership in the PTF

The NGO Resource Centre contacted the largest INGOs in March 2000, and it was decided to call for candidates for membership of the PTF and to organise a membership meeting for INGOs. With *Attacking Poverty* completed, the new mandate for the PWG/PTF was to outline a work plan for the groups (although later, backing up the CPRGS process became the main activity). Save the Children UK (SCUK), the Netherlands Development Organisation (SNV) and the Canadian Centre for International Studies and Cooperation (CECI) responded positively. Oxfam HK (Hong Kong) was more hesitant. Oxfam was critical, its director observed, because “Membership in the PWG would equal participation in it, and because it had been mentioned that membership of PTF also demanded participation in the Donor Coordination Group (CG). Oxfam HK moreover found the small NGOs would not have a much chance to take part, just as the non-Hanoi based NGOs would also have problems.”<sup>107</sup> The organisation apparently feared that direct membership in the Partnership Process might lead to too close involvement with the donors without real influence, and that the possibility if attending as a member was unequally distributed in the country. Oxfam GB wanted on the contrary to stand as candidate for the PTF, but asked “in that case to leave the PWG and GC.” To work in all three fora was an excessive burden, and by this time the PTF was consolidated as the core forum. Oxfam has been one of the most active INGOs in the PTF when working on the PPAs. At an INGO meeting on March 23, 2000, five candidates wanted to run as candidates for the three seats in the PTF, and the INGOs agreed to make an INGO coalition to avoid tensions.<sup>108</sup>

<sup>106</sup> Mail from Nisha Agrawal to the NGO Resource Centre, March 7, 2000. NRC archives.

<sup>107</sup> Mail from Oxfam HK to NGO Resource Centre, April 8, 2000. NRC archives.

<sup>108</sup> ActionAid was the fifth organisation.

At the PTF meeting on April 7, 2000, which took place at the World Bank premises, the new members were welcomed, including CECI and the Asian Development Bank. Moreover, three Vietnamese NGOs were invited by the World Bank: LERES (a legal advocacy organisation), the Rural Development Service Centre (RDSC), and the Centre for Family and Women's Studies. All three of these organisations had charismatic leaders, and the Centre for Family and Women's Studies could barely be considered a fully independent NGO as it is one of the centres under a government research umbrella: the National Centre for Social Sciences and Humanities. The INGOs participating also included Action Aid and Save the Children UK from the previous PWG.

Nisha Agrawal from the World Bank appears to be the PTF's dynamic figure, even if MoLISA and UNDP still stood as co-coordinators. The format of the PTF seemed now settled and the work had started. The Poverty Task Force now took the lead to carry out the workplan, whereas the Poverty Working Group was a forum for information and sharing. At the April 7 meeting, a progress report from the Public Expenditure Review (PER) with a poverty approach was presented by Kazi Martin, a World Bank specialist. The PER was the first deeper analysis of the Vietnamese public budget, which hitherto had been a closed area of information.<sup>109</sup> The large workshop organised by the PTF in July 2000 at Sapa, a tourist resort in the Northern Mountains, gathered 85 government-donor participants, including seven NGOs and INGOs to discuss a "comprehensive strategy for poverty reduction."

At the PTF meeting in May 2001, Nisha Agrawal presented indicators for International Development Goals based on the OECD/DAC indicators, and seven INGOs presented a paper "On Government Development Policies & IDT (International Development Targets)." In January 2002, Oxfam GB presented a paper "Rice for the Poor and Trade Liberalization in Vietnam." These papers were among the substantial presentations by the INGOs during 2000–2002, besides the PPAs presentations.<sup>110</sup> Nguyen Thang from the Centre of Rural Progress, a Vietnamese NGO, presented among others a paper "Globalisation and its Impact on Poverty," in August 2001.

During 2001, CECI was among the most active INGOs at the meetings, and PLAN and Catholic Relief Service rotated into the PTF. The number of seats was enlarged to four at the request of Oxfam GB.<sup>111</sup> This allowed Oxfam to retain a seat in the PTF. Oxfam HK dropped its

<sup>109</sup> Minutes from the PTF, April 7, 2000. The PER was funded by UNDP, the IMF, Denmark, the UK and the Netherlands.

<sup>110</sup> Minutes from the PTF, January 14, 2002.

<sup>111</sup> Mail from Oxfam UK to NGO Resource Centre, February 28, 2001. NRC archives.

critical view of the partnership forum and it informed the INGO network that it would be interested in standing for election as a member or an INGO alternate to the PTF. At the PTF meeting in August 2001, the eight working groups established to outline and adjust the Millennium Development Goal targets for Vietnam were presented with their team leaders. Each of the groups involved people from outside the PTF; the INGOs were involved in at least two of them.<sup>112</sup>

In September 2002, after the presentation and approval of the CPRGS in May, the PTF's mandate changed again as the mission was now to ensure the implementation of the strategy. The INGOs again discussed their representation in the PTF, and a new election round among the interested INGOs took place in September, ahead of the large PWG workshop in Haiphong in October. The topic of this workshop concerned the implementation of the CPRGS with participants from various ministries. The usual handful of INGOS was interested in standing for election, in spite of the NGO Resource Centre's fairly large membership of 200. The demanding list of criteria (TOR) for the members of the PTF was probably one reason why so few organisations chose to run for election, and many INGOs were not particularly concerned about the process. Only few of the organisations could afford to invest the substantial human resources required by the PTF. A decision was taken earlier that organisations should not have a seat for more than two years. In 2002, the composition of the INGOs in the PTF included Oxfam GB (since 2001), PLAN (since 2001), Catholic Relief Service (since 2002), and World Vision International (WVI) (since 2002). After a vote among the interested organisations, Catholic Relief Service was to continue for one year, and ActionAid, Save the Children UK, and Oxfam GB were to take the other seats. The Dutch NGO SNV (Netherlands Development Organisation) also applied for membership, but received fewer votes. It was offered a seat as an alternate, which was kindly rejected by its director.<sup>113</sup> WVI declined to run for election. Oxfam GB's mandate was accepted in spite of the (informal) rule on limiting terms of representation to two years. The reason is obvious enough; the representative of Oxfam GB had been one of the leading forces of both the INGO representation in the PTF and in the INGO environment through the Poverty Policy Learning Group, the main NGO policy network forum.

### Implementation of the CPRGS

The new challenge was the “roll-out phase” of implementing the CPRGS. After the glamorous stage of starting the dialogue processes, began the more difficult, less visible work of im-

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<sup>112</sup> Minutes of PTF, August 15, 2001, Wolff et al. 2002, p. 32.

<sup>113</sup> Communication from Luuk Boon, SNV, to NGO Resource Centre, September 2002. NRC archives.

plementing a strategy outlined at the central level in the provinces and at lower levels. During summer 2002, the World Bank replaced a number of persons in leading positions who had been driving the Partnership process, including the Country Director and the co-head of the PTF. A new, lower-profile leadership appeared in Hanoi. The most intensive acts of the drama were over, even if new initiatives were discussed in this phase (but these are not the focus of this study). Some of the INGOs, including Oxfam GB and Save the Children were engaged in rolling out the CPRGS at local level in provinces like Tra Vinh in 2002. Meanwhile, the MPI had started a new round of four local consultations in the regions. The first took place in May 2003, where the donor side including the INGOs had few seats, and probably none for the NGOs. The format for the regional consultations where the local implementation of the CPRGS is discussed includes 200 local representatives and 15 donors.

At a meeting in May 2003 of the Hanoi-based INGO-NGO network, the Poverty Policy Learning Group (PPLG), the INGOs raised for the discussion the continued role of the INGOs in the PTF.<sup>114</sup> The director of ActionAid raised several issues for discussion:

- The position of INGOs in the CPRGS implementation, the role of the INGOs in the PTF – should it be more pro-active?
- How to link with the PPLG, should the INGOs work more with the NGOs?
- What are the criteria for membership and election in the PTF?
- Should the provincial-level CPRGS be discussed in the PTF?

Many issues relating to the future coordination of the donor-government group seemed open and unsettled in the new phase of implementation. For example, what should happen in the period up to the next CPRGS scheduled for 2006? INGOs can only gain influence in the PTF if they actively implement the CPRGS, and this might cause difficulties for the general work plan of the organisations. Moreover, huge efforts would be demanded and if the CPRGS is included as part of the organisations' core strategy, and other daily work plans could suffer.

To return to the original question, i.e. why did Vietnam become the first countries in Asia to go through the full PRSP and CPRGS process? One reason was the clear interest on the parts of the Vietnamese government, particular the MPI, and of the World

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<sup>114</sup> Information at the meeting in the Poverty Policy Learning Group, May 7, 2003. A Senior Poverty Specialist from World Bank was invited to present the plans for the new Poverty Reduction Strategy Credits as an introduction at the PPLG meeting.

Bank to go through the process. The World Bank mobilised an immense effort to facilitate the process, and the Country Director and his staff finished the final CPRGS during his tour of duty in Vietnam, which expired in 2002. The government, for its part, was just as interested in completing the process within a short time frame as it gave access to new lending, and demonstrated that the government was capable of obtaining resources for the country.<sup>115</sup>

The I-PRSP was completed simultaneously with the 9th Party Congress in spring 2001, and new loan-packages were approved by IMF and the World Bank soon after. The completion of the final CPRGS, including all the PPAs and consultations, in a fairly short time, made the final documents less coherent than could have been wished. Many donors and participants on the government side found it unsatisfactory. They raised questions about the depth of the process and participatory planning, and whether there will be accountability for outcomes in the implementation phase. When the document was completed, it was only known to the handfuls of people in the central administration who had taken part in the process. The formulation process and particular the document itself, i.e. “the output,” seemed to be the driving forces with the professional management frame set up by the World Bank.

The Poverty Task Force became the leading forum for interaction within the partnership and for supplying input to the I-PRSP and the CPRGS – even if the document itself was written “fully by the government” as is claimed in many documents. The World Bank was clearly the leading force on the donor side, but in the intellectual company of the DfID, which provided input in the form of concepts and methodologies for the Poverty Assessments, staff for the Participatory Assessments, as well as advice on their transformation into policy recommendations in the World Bank. It also provided guidance indirectly though economic support to the INGOs that performed the PPAs. The INGOs provided important contributions to the Participatory Poverty Assessments in *Attacking Poverty* and the Participatory Assessments of the I-PRSP. In January 2002, the PTF consisted of nine government institutions, five multilateral donors, four bilateral donors, and the four INGOs involved in the PPAs.<sup>116</sup> This group had a substantial influence on the intellectual input in the process

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<sup>115</sup> Sources from the World Bank report that the main pressure to finish the CPRGS came from the government’s side, and that the World Bank was open for spending of more time on preparation.

<sup>116</sup> Wolff et al. 2002, p. 31. According to this source, the six INGOs involved in the PPAs were represented and not LNGOs, which is probably not quite correct. The comment could refer to presence at that particular meeting.

of the I-PRSP/CPRSG, even if the MPI was the institution that took the lead in outlining documents.<sup>117</sup>

It should be stressed here that the World Bank employed the best of its management skill in the process, assigning staff and consultants to follow the participatory process closely at every step. Guidelines were outlined for the PPAs and the outcomes of the participatory processes were transformed into suitable publications, recommendations and policies.<sup>118</sup> The World Bank thus bridged some of the common gaps between research and policy that are usually lacking in policy processes. They made sure that the PPAs and consultations were available for writing the strategy documents. On the other hand, it also became a process in which the findings of the PPA were streamlined and universalised. It became a new policy instrument.

No doubt, the process encompassing the donor-government-INGO forum, the Participatory Poverty Assessments, and other consultations was innovative for Vietnam. The INGOs benefited particularly from being included in the policy-making process, and donor community coordination at large was vitalised by the process. The donor-government-INGO cooperation might be an opening for better dialogue, coordination and cooperation on site, but it might also prove fruitless in the implementation phase. There does not seem to be a stable alliance with the INGOs when they are unable to deliver input to the broader processes. The INGOs also took part –albeit peripherally – in the process. It was the first time they sat at the same table with the government, although they were not directly involved in the PPAs or the consultative processes.

Consultations took place both as PPAs for the poverty assessment and local consultations with basic stakeholders on the I-PRSP. Compared to some other countries, the process was broader based in Vietnam. It added the innovative elements of new types and dynamics of processes and of novelty interest. However, even PPAs involving more than 1000 households, and consultations with 1800 people, are not adequate to establish a government led process in the whole country.<sup>119</sup> The question is if the new types of consultative process might lead to more inclusiveness when repeated more broadly. The same applies to

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<sup>117</sup> Wolff et al. p. 33, come to the same conclusion.

<sup>118</sup> The poverty specialists are central actors to transform the documents from the PPAs both related to *Attacking Poverty* and to the CPRGS (Turk 2001; Shanks & Turk 2002 a&b; *Community Views on the Poverty Reduction Strategy*, vol. III, outlined by the five INGOs in the PTF and World Bank consultants in Lao Cai. The documents are available at [www.vdci.org.vn](http://www.vdci.org.vn)).

<sup>119</sup> This conclusion is fairly consistent among the various studies. Shank and Turk (2002b, p. 49) acknowledge this p. 49.

the central process of outlining the documents. There might be unintended outcomes when using such processes and forms of knowledge in order to transform the five-year plan and the ten-year strategy into concrete strategies with concrete goals. Whether the new issues will be really integrated in the Vietnamese planning and will be transferred to other ministries and institutions at central level, the provinces and lower level is another issue. At this point it appears that the two-track policy still dominates.



# 5 The CPRGS: Vietnamese actors and the impact of the process

## General background

The economic successes that Vietnam achieved during the *doi moi* process not only helped the country avoid a widespread crisis, but also effectively maintained a certain level of socio-political stability. In just ten years of transition, Vietnam achieved many results that other developing or transitional countries failed to do even after implementing series of economic reforms decades before. The Hunger Eradication and Poverty Alleviation Strategy (HEPA) remains the starting point of Vietnam's effort to lift itself out of the group of the world's poorest countries.

Apart from cultural characteristics, referential lessons drawn from neighbouring China in the setting-up and implementing of development plans and programs, especially those related to HEPA, are considered the decisive factor which makes Vietnam's experience different. The government has appropriately established a synchronous system of setting-up, implementation, evaluation and supervision that extends from the centre to the grassroots level. At the same time, it also has gained early successes through active cooperation with international donors.

Although it is too early to talk about a comprehensive effective implementation model of poverty reduction programs in Vietnam, it is unquestionable that Vietnam has managed to set up an operational management system of poverty reduction activities from central to local levels. The system has involved participation at almost all levels of the political system from the highest level (the National Assembly) to the grassroots level (local organisations). Strengthened decentralisation and greater autonomy of local authorities in the setting up and implementing of poverty reduction policies should ensure that

these activities are done in the accordance with management regulations of the two main organisations – the Ministry of Planning and Investment, (MPI) which considers and manages projects, and the Ministry of Finance (MoF), which manages capital allocations to projects.

The CPRGS is the outcome of negotiations between the government, represented by the MPI, and bilateral and multi-lateral donors, led by the World Bank. For Vietnam, this is a step forward in the acknowledgement of the importance of poverty reduction activities and the concretisation of a general development strategy and previously established national target programs. Donors also admit the success of the strategy as a commitment of the Vietnamese state to their proposals and requirements.

To reach the current position, the process involved a range of stakeholders in Vietnamese society. The participation of Vietnamese actors in the CPRGS process may be seen in terms of reaching certain major milestones. The participation of Vietnamese actors in the process differs in terms of the scope and extent of work and the nature of participation. Although the main drafting team came from the central government (mainly MPI), the participants came from central government organisations and local authorities, as well as local NGOs through various formats of discussion and workshops. Still, despite the efforts of both the government and donors to involve local-level government, an active presence of these actors has not been observed. The stages when actors entered the process also determined the extent of their participation. Early on, the job of formulating the CPRGS was mainly assigned to selected government officials. Participation broadened as the final stages of drafting were reached.

The CPRGS was a long process, starting in 1999 with the proposal of the World Bank to set up a joint government-donor-NGO forum, which led to setting up of the Poverty Working Group. The following Vietnamese organisations were the earliest participants in the process:

- Ministry of Planning and Investment (MPI),
- Ministry of Finance (MoF),
- State Bank of Vietnam (SBV),
- Ministry of Agriculture and Rural Development (MARD),
- Ministry of Labour, Invalids and Social Affairs (MoLISA),
- General Statistics Office (GSO),
- Committee on Ethnic Minorities and Mountainous Areas (CEMMA), and
- Women's Union.

All of these organisations were government ministerial authorities, except for the Women's Union, which is a mass organisation (i.e., a government-supported mainstream NGO). Compared to the presence of three British NGOs and a Swedish-supported program, the presence of Vietnamese NGOs was unimpressive.

During 1999, the World Bank together with some INGOs carried out the PPA (Participatory Poverty Assessment) in four provinces around the country. Vietnamese participation in the exercise was limited to taking part in discussions at the local level (e.g. communes and districts). The Vietnamese staff of the INGOs was directly involved, both at the local level and in presenting the PPA to the PTF. In addition to Vietnamese government organisations, about 20 Vietnamese NGOs (mainstream, quasi-NGOs, and business NGOs) were invited to contribute to the discussion on the findings of the PPA and its revisions at a December 1999 workshop on the *Attacking Poverty* report.

The increased role of the MPI can be seen as the official start of a more comprehensive process in dealing with poverty strategy preparation. In March 2001, the MPI was asked to upgrade the I-PRSP to the fuller CPRGS. The drafting and consultation process lasted about a year, during which eight thematic reports were generated, and many seminars and consultation meetings took place. At the end of 2001, with President Tran Duc Luong's signing of a commitment to fulfil the Millennium Development Goals (MDG), the Vietnam Development Goals (Vietnamese version of MDG) were also incorporated into the CPRGS process. After presenting the CPRGS outline to the CG meeting at the end of 2001, the first half of 2002 was spent in consultation with local stakeholders and on improvement of various drafts. By May 2002, the CPRGS was completed and presented to both the government and donor community. Prime Minister Phan Van Khai signed the document, and the implementation process began in October 2002 with a conference in Haiphong.

Throughout the process, the MPI, led by Dr. Cao Viet Sinh, Deputy Director of the Synthesis Economics Issues Department of the MPI, played an important role in leading the drafting and refining of the CPRGS. The MPI assembled a drafting team consisting of the representatives from the following Vietnamese organisations (underlined organisations are new participants in the drafting team):

- MPI
- MoF
- SBV
- National Enterprise Reform Committee (NERC), mainly for SOE reforms
- Ministry of Trade (MoT)

- Ministry of Industry (MoI)
- MARD
- Ministry of Construction (MoC)
- Ministry of Transport and Communication (MTC)
- Electricity of Vietnam (EVN)
- MoLISA
- Ministry of Higher Education and Training (MoET)
- Ministry of Health (MoH)
- CEMMA
- Ministry of Foreign Affairs (MoFA)
- Government Committee for Organisation Matters and Personnel (GCOP)
- GSO

Compared to the previous list of members of the PWG,<sup>120</sup> the drafting team for the CPRGS is much larger and involves many more line ministries. Interestingly, the party and the National Assembly did not take part directly in the drafting process, which was ultimately seen as the government's job. Their role was limited to internal consultation from time to time, when needed. Other NGO stakeholders were invited to seminars and other formats of consultation.

### **CPRGS: Ownership and relationships**

Looking at the issue comprehensively and in terms of the concrete stages of the CPRGS drafting process, it is clear that the Vietnamese side was active in making the CPRGS part of its development plan. Despite the undeniable presence and influence of the donors, led by World Bank, in the CPRGS drafting process, the CPRGS was essentially an action plan to concretise general goals, policies and measures of the Ten-year Socio-economic Development Strategy for the period 2001–2010 and the Five-year Socio-economic Development Plan for 2001–2005. Thus, the CPRGS had to be harmonised with the five-year plan and ten-year strategy, and further play a comparatively independent role vis-à-vis these documents because it provides concretised measures.

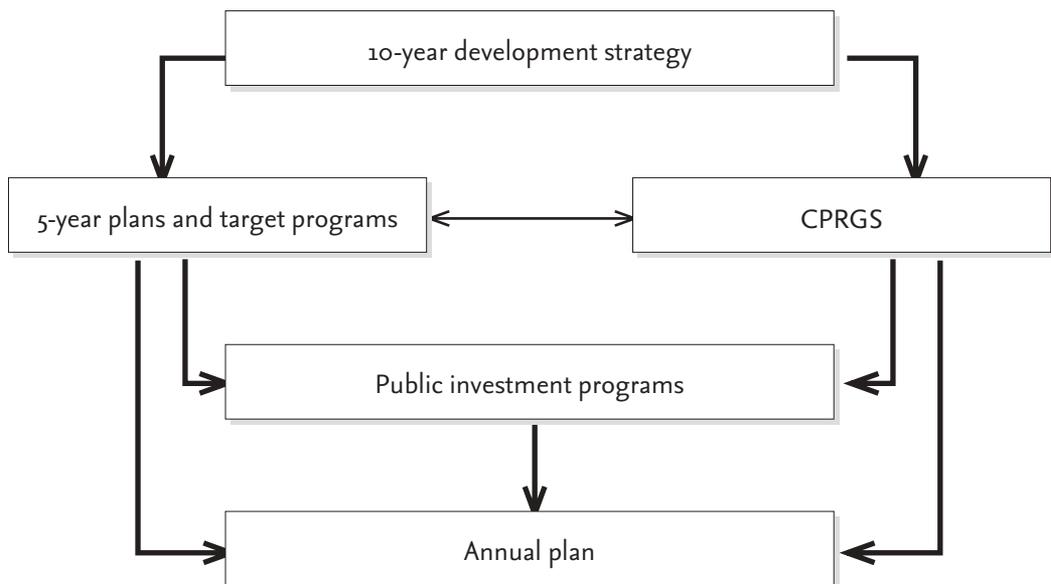
People tend to respond to the measures that quickly and stably accelerate economic growth, e.g. through establishing a competitive legal environment for enterprises (level play-

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<sup>120</sup> The structure of PTF was supplemented by the Institute of Economics in January 2002.

ing field), no matter if they are state-owned or private, domestic or foreign. Such measures are provided in the third part of the CPRGS. They are not one-sided requirements made by donors to place pressure on or reorient Vietnam's macro economy. From early days of the doi moi process, the government enabled comprehensive, but cautious, reforms according to contents mentioned in the third chapter of the CPRGS to create a market economy in the true sense. The Resolutions of the 3rd Plenum of the Congress in 2001 further accelerated the reform of SOEs towards restructuring and diversifying forms of ownership. The Law on Foreign Investments was also amended a fourth time to create more favourable conditions for foreign investors seeking business opportunities in Vietnam. The issuance of the law has had a particularly salutary influence on promoting healthy and transparent development of non-state enterprises. In this respect, the regular direct dialogues between the prime minister and the business community (mainly private enterprises) have been quite effective. The government also fully understands undesirable consequences of a halfway transformation. Thus, the CPRGS is a re-acknowledgement of previously stated measures in more specific terms. Finally, the CPRGS and other national strategy processes in Vietnam have been integrated with parallel processes (Fig. 1).

**Figure 1. The relationship between CPRGS and other socio-economic development plans and strategies**



## The government players

In identifying the participants in the process, we start with the MPI, the lead author of the drafting task force.<sup>121</sup> In MPI, the Department for Synthesis Economics Issues (DSEI) was responsible for the CPRGS process, i.e. drafting, improving, finalising and submitting the document for the approval of the prime minister. The CPRGS is seen by this department, especially by Dr. Sinh, its deputy director and leader of the drafting group, as both a response of the Vietnamese government to pressures of donors to qualify for poverty-related credit, and a concretisation of existing national Vietnamese targets and strategic plans contained in documents such as the ten-year strategy. Experiences of other countries persuaded them that donor requirements were too tight, and even too difficult, to let them be drafted by the donors. Thus, the Vietnamese took things into their own hands, confirming Vietnamese ownership of the CPRGS process.

Despite this commitment to CPRGS, the DSEI staff still see this process as something extra, or outside, the things they do “routinely and regularly” on behalf of the government in the formulation of Vietnamese socio-economic development strategy and MPI planning.

In fact, many issues in the ten-year strategy are not covered by the CPRGS. Other departments in MPI, e.g. the Departments of Science, Technology, Environment, Culture, Education and Social Matters, share this similar view. For the DSEI, the CPRGS is merely the action plan to concretise those targets that have been specified in the five-year plan or the ten-year socio-economic development strategy. The National Assembly has already approved many issues of the CPRGS in different formats. Hence, there is no need for the strategy to be passed by the National Assembly. In fact, the CPRGS is only more specific, focusing on poverty reduction and promoting growth.

The Development Strategy Institute (DSI), a think tank within MPI that deals with drafting the ten-year socio-economic strategy, was another active player in the CPRGS process. The DSI took part in drafting certain components of the document, in discussion and contributing to working with other partners. One striking similarity between the institute and other departments at MPI is that most of them share the view about different perceptions of Vietnamese officials and donors about the strategy and thus, its importance. To them, the CPRGS is not a strategy as such (unlike the ten-year strategy), but rather a plan

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<sup>121</sup> The participation of different Vietnamese actors was discussed generally in the previous section. This section mainly is drawn from the findings of our study. It relies on interviews with selected key participants in the CPRGS process.

of action with specific targets and criteria. For DSI staff, the CPRGS is definitely unlike the ten-year strategy, which the institute helped draft. The Central Institute for Economic Management (CIEM) of MPI takes a similar view. As another think tank of MPI, the institute also took part in the CPRGS drafting process. They were responsible for several key papers as input for the strategy document, as well as being involved in the intellectual discussion on the content of the papers.

Although these organisations exist within the same ministry, due to different activities and modes of operation the views of the research institutes tended to be more flexible and less rigid than those of the departments in viewing the process. Generally, they had more exposure to policy and strategy formulation, but were not in the leading position in the document drafting.

Having seen the view of MPI, the leading actor, it is not surprising to see other angles from various actors of the process. First, as one of the key ministries in dealing with farmers, rural development, where the majority of poverty is embedded, the participation of the Ministry of Agriculture and Rural Development (MARD) was quite active. MARD participation in the CPRGS was key in writing several critical input papers, as well as in contributing to the dialogue and discussion of the issues raised by the team. Still, MARD's view was less upbeat, to say the least, on the importance and the applicability of the CPRGS. They shared the view of MPI on the purpose and initiative behind the process, but were more critical of how the process was handled by the Vietnamese. They found the notion of ownership unconvincing. As a line ministry, MARD was not convinced about the role of Vietnamese government organisations compared to that of the donors,<sup>122</sup> as well as the capability of the Vietnamese team in facing donors in negotiating and discussing the content of the CPRGS. This is not to say that MARD was uncooperative with MPI or inactive in the process; the difference reflects to some extent the different roles that these ministries played in the CPRGS. According to our CIEM interview, "Each of the line ministries has their own things to do, the CPRGS is just something jointly done by all. It's an additional task, not the main one."<sup>123</sup>

Next to MARD, MoLISA is traditionally the official partner of the donors in poverty reduction activities in Vietnam. MoLISA was instrumental in working with UNDP up to the start of I-PRSP when both turned over the conductor's baton to the new team led by the

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<sup>122</sup> The term "prize" refers to credit given by donors in return for Vietnam writing the I-PRSP and CPRGS.

<sup>123</sup> Interview with Dr. Huong, CIEM.

MPI and the World Bank. Still, MoLISA continued to be an important player in drafting and completing exercises for the CPRGS. MoLISA also saw the process as more comprehensive than its own Hunger Eradication and Poverty Reduction Strategy (HEPR) and program, and emphasised that the HEPR already contained elements of a development orientation while solving problems of hunger and poverty. When it comes to implementation, some scepticism was shown regarding the funding and budget allocation, which may depend on a department of MPI for budgeting and finance.

Other line ministries such as the Ministry of Finance (MoF) held important roles and took part actively in the process. MoF did not see the CPRGS as a totally Vietnamese-owned process (certainly less than claimed by MPI) with involvement and strong influences of many donors. Ministry of Science, Technology and Environment (MoSTE) is another example of line ministry involvement. Although MoSTE was not a member of the drafting team, it set up its own task force for contribution to the paper. It did so at the request of the MPI, but mainly to give input on the environment issue. In the end, environmental concerns took a backseat in the document and nothing was mentioned about using science and technology as a way to reduce poverty. Compared to the Science and Technology Strategy for Vietnam until 2010, which MoSTE prepared, the CPRGS is not their major concern.

### **Impact: Changing roles**

The above analysis reveals some tendencies about the change in the structure of the power dynamics and policy space among Vietnamese government actors. The obvious gainers are the MPI departments, with the Department of Synthesis Economics Issues in the leading position, but other MPI departments also played quite important roles. Compared to departments, MPI research institutes, as think tanks for the MPI and the government, tended to downplay the importance of the exercise, as they are quite familiar with policy and strategy-making activities. Line ministries played less active roles. Among them, MoLISA seems to be a de facto loser, if one considers drafting the CPRGS as a win. However, according to MoLISA themselves, they did not lose much, considering that CPRGS is just one way of responding to donor requests and pressures in order to get specific credits. They continue to work on other plans and programs funded by the Vietnamese government budget and some donors. What they did lose was a frame for action or a policy space in which they can exercise influence rather than something more tangible. As for MPI departments, they are always strong players in macroeconomic activities, and the lead in the CPRGS process makes them even stronger, especially in dealing with the donors. This may give them an upper hand in

getting or influencing the use of credits that would go to other government organisations if the CPRGS was not in place.

Several specific observations are appropriate here. First, Vietnamese ministries are divided on ownership of the CPRGS, with the MPI as its strongest proponent. Other ministries see the process as basically Vietnamese owned, but also acknowledge strong donor involvement. This phenomenon could be termed as “country ownership versus ministry ownership.” Vietnamese ownership is not necessarily ownership by all stakeholders from the government and society at large, but of just a few key officials and groups.

The role of ministries varied in the process, with a changing of places of MoLISA and MPI as key actors in the poverty strategy. It is still too early to say who will ultimately dominate this relationship in the implementation process.

Overall, the Vietnamese government has been rather quick to work with donors to push for CPRGS preparation. This is partly explained by the willingness to get credit at the request of the World Bank and IMF. The interviews gave the feeling that it is the intention of the Vietnamese government (ministries, research institutes) to institutionalise and formulate poverty reduction and to learn more on monitoring and supporting poverty reduction programs and projects with concrete and tangible targets when they joined donors in the CPRGS process. The DSI reports that there was good opportunity for both the Vietnamese government (in terms of knowledge, support funding, technical assistance and credit) and donors to benefit from the process. It certainly provided a convenient opportunity for the actors to push ahead quickly, a “policy window” in the jargon of political science. Perhaps Vietnam acted more opportunistically at the beginning of the process, but its participation became more deliberate as it continued.

At some points the link between the CPRGS and the ten-year strategy was criticised as too loose. For obvious reasons, various stakeholders had different expectations toward the document. However, if one takes the view that the CPRGS is merely a strategic plan of action, it should be seen as a tool to make the ten-year strategy work, first of all for poverty reduction, then for growth (as an instrument for poverty reduction). Other concerns of the ten-year strategy not immediately relevant to poverty reduction may not have room in the CPRGS.

Despite the criticism from some quarters, the impact of the CPRGS process so far has been quite profound. First, the empowerment impact has been seen in the relations among ministries, although less for government organisations compared to the INGOs, and even to some extent the LNGOs. The process has opened a policy space for all actors in which to conduct a face-to-face dialogue with donors in dealing with a very specific policy area. Perhaps

the most important impact is seen in the learning effect. By taking part in the process of working together with donors, Vietnamese officials and researchers have learned the methodology and gained new knowledge and experience in developing criteria and monitoring for poverty reduction. The process has also encouraged coordination and changed somewhat the nature of cooperation between ministries. Using the term of the World Bank itself, as cited by some studies,<sup>124</sup> the CPRGS is a new “way of thinking,” changing the mindset of policy-makers.

## **The role of the Party and the National Assembly**

How can Vietnam guarantee it makes the best use of the “market economy” without misplaying its socialist orientation, or in other words, how can Vietnam maintain high economic growth without negatively affecting the current political system? This is a question worth considering for the Communist Party of Vietnam, which, after all, defines the orientations for the operations of the state and society.

Indecisive and incomplete reforms taken by North Korea and Cuba<sup>125</sup> have considerably contributed to impoverishment. Perestroika in the former Soviet Union and the massive economic renovations based on privatisation led by Boris Yeltsin’s regime not only failed to reach planned economic development objectives, but also degraded the social values of the Soviet people. China might be a referential example for Vietnam. In any case, dogmatically adopting an approach from a neighbouring country might be counter-productive and cause Vietnam to abandon its line. The only answer accepted by the Vietnamese Politburo is that comprehensive economic reforms must be implemented with care to open ways for slow-but-sure and incremental political changes (structure and operating method) and thus protect social values. Once social values are successfully assured, the central government has free hands in meeting the challenges of economic reform.

Doi moi was carried out according to this principle. After a short period of shock and becoming accustomed to the new values of the market mechanism (1986–1989), the Vietnamese people gradually took advantage of new development opportunities for themselves and for the country. Comprehensive and drastic changes have been made cautiously using a step-by-step approach a true market-based economy. Doi moi has forced many SOEs, once the economic cradle of the socialist state, to undergo dissolution or a change of ownership, since they could not confront harsh market rules. Thus, the CPV is pursuing what was previously

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<sup>124</sup> See Conway 2003.

<sup>125</sup> Cuba had moreover the important disadvantage of the embargo from the USA.

thought impossible: Debates on the new directions of CPV, the formal existence of non-state economic sectors and the natural elimination of cumbersome state businesses which were a burden on the state budget into the 1990s.

The multi-levelled dominance of CPV in the political life of Vietnam is determined under the constitution. This is manifested by the system according to which resolutions made by the CPV's Central Committee (documents of Party Congresses held every five years) are the official basis for concrete policies, laws and regulations of state agencies at all levels. Moreover, important issues in policy planning are considered of no value if they are not passed by the Politburo. However, owing to major economic changes and understanding of the market mechanism, independent decisions made by state organs at all levels (including representative bodies like the National Assembly and the People's Councils) have gained greater importance.

The equilibrium between the two main targets of the national development – economic growth and developing social values, including poverty reduction and hunger alleviation, has only been acknowledged in the CPV's official documents in recent years. In 1994, the national representatives' meeting held in the middle of the 7th CPV term sought “to attach economic growth with social equity, encourage legal enrichment with poverty reduction and hunger alleviation.” The Resolutions of the 8th Party Congress (1996) stated: “Poverty reduction is a socio-economic programme of both long-term and urgent nature. The setting up of poverty reduction policies shall be based on internal and external capital sources.” At the same time, CPV included poverty reduction in its eleven key programs for the country. Hence, although the CPRGS was not passed by the CPV<sup>126</sup> or CPV organisations at any level (e.g. Central Committee or party cells), and although the CPV did not take part in the drafting process of the CPRGS, it was already been accepted ideologically by the party even before the government began to put it into practice.

It is clear that there has been an important step forward in the acknowledgement and institutionalisation of multi-component participation in poverty reduction activities as against the numerous and vaguely stated social targets specified in socio-economic development programs. The official acknowledgement of poverty reduction policy planning in CPV's resolutions has made an important influence. According to these documents, the central and local governments have more leverage to speed up poverty reduction programmes in a more intensive manner when linking them with the opened door policy of the private sector. A number of typical poverty reduction programs initiated by the government – such as Decision No. 126 on

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<sup>126</sup> In fact, there is no requirement of any legal procedure for the CPV to approve or pass the CPRGS, as it is seen as an official government document.

the national employment program; Decision 327 (later replaced by the project on afforestation of 5 million ha of forests); and Programme 135, also named the Hunger Eradication and Poverty Reduction Programme, on development of remote disadvantaged and extremely disadvantaged communes – has been promoted to concretise the party's resolutions.

Amendments to the 1992 constitution invested the National Assembly with greater power in implementing its existing functions and in making decisions on important national issues. Thus, the operation of the National Assembly, as analysed above, has become more relevant and professional. The role of the National Assembly in poverty reduction seems nevertheless relatively blurred, since the National Assembly never passed the CPRGS. On the other hand, the contents of the CPRGS and relevant issues were mentioned in the five-year plan or annual socio-economic development plans. Under these plans, the government, as supreme executive body, normally sets out general directions and tasks. Hence, the contents of poverty reduction programs and issues such as economic restructuring, improvement of the business environment, accelerating SOEs and promotion of business supporting activities, just to name a few, are mainly based on the socio-economic development plans already screened and passed by the National Assembly.

For special development projects or programs, the National Assembly can, based on their scope and importance, make separate resolutions to approve special issues (such as the project for a new plantation of 5 million ha of forest), instead of putting them in general plans. The National Assembly's role in setting up poverty reduction programs is reflected when its members approve the decision on annual state budget breakdowns, including an important part of the poverty reduction programs to be implemented throughout the country.

#### **Box 5. Targets of the annual plan and five-year plan**

On December 25, 2001, the National Assembly passed the Socio-economic Development Plan for 2002 and for the five-year Period of 2001–2005. The main contents of the plan comprise (i) general assessments of the socio-economic situation in Vietnam in 1996–2000; (ii) general objectives and main targets to reach in the period (economic growth rate, sector gravity and structure, employment and other social issues); (iii) measures to take in the coming period, i.e.,

1. Accelerate the process of transfer of economic structures;
2. Improve the business investment environment;
3. Actively integrate in the international economy and increase exports;
4. Comprehensively develop human resources; and
5. Speed up administrative reform, enhance capability building and operation efficiency of the State administrative mechanisms.

Our interviews produced a range of views on the role of the National Assembly in the CPRGS. Most government organisations emphasised that the CPRGS is a job that mainly belongs to the government. Indeed, the Department for Economics and Budget of the National Assembly confirmed this. This does not mean that the National Assembly is out of the loop; they are informed and consulted on a routine basis on financial issues like taxation and budgeting. Furthermore, the National Assembly still decides on allocations relevant to plan implementation.

### **Central-local power**

One of the key issues in the CPRGS is the relationship between central and local authorities. Although the role of local authorities is always emphasised in party and legal documents, in some areas, especially the remote and mountainous areas that have drawn special attention in the poverty reduction discussion, participation in socio-economic development activities is essentially passive. This is partly the result of the management system during the war (1965–1975), and subsequent centralised planning management (1976–1986). The self-winding searches for new production methods of higher efficiency for the people in some provinces, i.e. Vinh Phuc, were immediately blocked in the 1980s. After the initiation of the *doi moi* policy, especially after the 1992 Constitution and the Law on the Organisation of the People's Councils and People's Committees came into effect in 1993, the situation changed for the better. The government established specific plans to strengthen the active role of local authorities in making decisions on important issues such as development of an investment environment, state budget revenues and expenditures. According to Decision No. 531/1996 on National Target Programmes (of which the Hunger Eradication and Poverty Reduction Programme (also called programme 135) run by MOLISA is a part) and the Prime Minister's Decision No. 38/2000 (which provided amendments to the Decision No. 531), local authorities are allowed to set up targets by themselves and to decide on duties and priorities of socio-economic development in their respective localities as well as on the distribution of centrally-granted capital and local revenues for these programs. The setting up of these activities is based on the list of National Target Programmes, prepared by the MPI in combination with other central agencies. In such localities as Ho Chi Minh City, and in Binh Duong and Dong Nai provinces, the growth of foreign-invested operations resulted mainly from investment-attracting policies initiated by local authorities. The ten-year strategy also acknowledges decentralisation and community participation as having a key role in the success of poverty reduction activities.

There are two reasons for the change. First, state agencies in the localities have become increasingly independent from local party's activities. Second, local authorities have been given greater rights in making active decisions on socio-economic issues in their respective localities. This necessary turning point clears the way for flexibility and initiative on the part of local authorities and people in taking advantage of socio-economic resources that they know better than anyone else. However, the role of local authorities has yet to be defined in a way that corresponds to their capabilities. The central authorities, mainly the MPI and the Ministry of Finance, play the decisive role in financial arrangements and support for development programs. These agencies consider and appraise proposals made by local authorities before submitting them to the prime minister, and then the National Assembly, for approval as part of the annual budgeting process. At the same time, these bodies set up targets and specific allocation volumes to localities before deciding on allocations to localities.

The most difficult issues are mainly seen in the implementation of specific projects. Differentiation in levels of development among zones, and even among provinces in one zone, may lead to potential political disorders – the standing worry of local authorities. On the other hand, the concentration of development resources in one or a few state agencies can freeze out targeted socio-economic objectives where they are needed most. A clear consequence of limited allocation is that poverty reduction activities in localities often go inactive.

This is clearly demonstrated by the implementation of ODA projects in Vietnam. Excluding such big cities as Hanoi or Ho Chi Minh City, the direct participation of over 60 cities and provinces is still very limited. These localities have to deal with a number of obstacles in approaching ODA capital sources; for the most part they simply participate in the implementation of sub-projects. Besides capability limitations in planning, the lack of direct approaches and discussions with donors makes them unaware of resources for projects or whether projects are defined to be donor-funded. Moreover, the hesitation of the Vietnamese government in decentralisation with regards to action programs has made local authorities passive in ODA projects.

In the CPRGS process, the situation is not different. Local authorities were almost unaware of the process until they were invited to take part in consultations organised either by government organisations (e.g. the four regional consultation workshops to hear the view of provincial managers) or donor groups. Recent talks of the research team with even key political and socio-economic centres of development in places like Ho Chi Minh City

or Can Tho (an agricultural centre of Mekong River delta) show that the key officials did not know about the process, its purposes, procedures or future direction.<sup>127</sup> In this context, awareness in other remote areas is even less likely. Some analysts treat this local participation as ad hoc.

Funding is another issue. It is the decisive factor in the effectiveness and implementation of any policy. The leading role of the Synthesis Economic Issue Department of MPI could be jeopardised if other departments within the same ministry cannot allocate the necessary funds for implementation of the CPRGS. Appraisal and approval for funding have to be accepted by the National Assembly, which examines the process on a routine basis with regular criteria and without giving preference to the CPRGS document over other important strategy documents. MPI's responsibility is to allocate funds related to development cooperation only. The Ministry of Finance usually allocates funding for development investment projects using a top-down approach. This may change with the shift in financial thinking. Budgets will be allocated directly to localities without normative criteria so the localities could be more active in planning and using their allocated budgets. This new bottom-up approach was apparently influenced by the Grassroots Democracy Decree and Programme 135.<sup>128</sup> With the CPRGS entering the scene, it is still unsure if it will change the modality of funding. However, the experiences of ODA management in many countries indicate the sympathy of financial managers to make the funding philosophy more efficiency-based.

There is no evidence that the CPRGS process will increase or reduce corruption. In fact, corruption can exist with or without a CPRGS in most societies. Corrupt outcomes may be encouraged by the concentration of power in one or two selected groups of actors. However, seeing the power arrangements during the CPRGS process, it is difficult to see how any single group could come to dominate the entire structure (even given the leading power of MPI; but, again, the MPI is just not one department).

## **The role of Vietnamese NGOs and their impact**

As mentioned in Chapter 3, “civil society” in Vietnam is embryonic and differs from the classical concept.

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<sup>127</sup> Discussion with Can Tho, Department for Science, Technology, and Environment and ex-manager of Ho Chi Minh City, ODAP office, May 2003.

<sup>128</sup> Discussion with External Financial Department, Ministry of Finance, May 2003.

There are three models of Vietnamese NGO participation in the CPRGS process. First, the Women's Union and other mainstream organisations can be seen as one pole. Their participation is quite active, at the request of both government and donors.

The second kind of organisation is the NGO-cum-business. These act like NGOs at times and as consulting firms at other times, taking part in consultation, studies, reviews in the capacity of local consultant at the request of donors. CONCETTI (Consulting Centre for Technology Transfer and Investment) and the Hanoi Young Business Association (HYBA) are examples of this group which can be seen as another pole of potential civil society.

The third type of NGO is the NGO-actor for future civil society. The Rural Development Service Centre (RDSC) was officially invited and accepted to take part actively in a World-Bank-led NGO (INGO and other) network. This type of organisation is still rare, something between the two poles, and could become a third pole in the future.

The analysis given in Chapter 4 reveals a quite complicated interaction between INGOs and LNGOs in the CPRGS process. Many organisations were invited to take part in the consultation exercise and contributing to the intellectual debate on certain issues. Their behaviour was quite different. Some LNGOs (such as RDSC) were more active than others. Others, like HYBA, were not invited, and instead provided their input indirectly through the Business Forum with government and donors. VGCL, the trade union structure, was not invited either. In many cases, the second type of NGO was invited to provide services for the World Bank or UNDP (CONCETTI is an example of a close alliance of a local consulting firm and UNDP).<sup>129</sup> If the INGO role is fairly unsettled, as mentioned in Chapter 4, the role of LNGO is even more so. The nature of the new democracy trend (as touched on in Chapter 2) is such that organisations or groups only become activated when they are organised, no matter by whom (donors, government, or both). The CPRGS is one such organising catalyst. When the process stood idle, the trend stopped, too.

In any case, the CPRGS process has surely opened a political space in the power dynamic of Vietnam at the central level. It gave many NGOs their first taste of working together with the donors and the government and of having their voices heard. It showed that NGO involvement is not only possible, but necessary, in such an important exercise as strategic planning. And it was forward-looking. This may have unexpected impacts for the implementation stage of the CPRGS.

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<sup>129</sup> This consulting firm was formed by the scientists with economics and management background, became working intensively for organisations like UNDP, World Bank. For example, they performed the local evaluation of the CDF.

Relationships between actors in Vietnamese politics are much more complicated than “government bloc versus party bloc” or “reform bloc versus hard-line bloc.”<sup>130</sup> It is a web of relations with multifaceted aspects. The entire process of policy-making in Vietnam is a process of compromise involving many actors, with or without donor involvement. As such, it is difficult to say that involvement in the CPRGS and the experience of interfacing with donors could change this landscape. What it did change was the extent and way of interacting among groups of actors in Vietnam’s power structure.

## **Annex to Chapter 5: Models of plan-making and allocation**

*(Pursuant to the Prime Minister’s Decision 531/1996/QĐ-TTg dated August 8<sup>th</sup>, 1996 on the management over national (target) programmes and the Prime Minister’s Decision 38/2000/QĐ-TTg of March 24<sup>th</sup>, 2000 on the amendments and supplements of some articles of Decision No. 531)*

### **Introduction of national target programmes**

A national target programme is the collection of targets, duties and integrated solutions in different areas such as economy, social affairs, science and technology, environment, policy mechanism which are put in general socio-economic development strategies. Concrete programmes selected are important issues in a period of time (five year). These include key development programmes of big scale which are intensively and extensively implemented from the central to grassroots levels. The implementation of plans belonging to these programmes is symbolic for the management and decentralisation between the Government, central agencies and local authorities.

There are 6 specific programmes belonging to the national target programme for the period of 2001–2005, i.e.

1. The national target programme on poverty reduction and employment;
2. The national target programme on clean water and environment hygiene in rural areas.
3. The national target programme on population and family planning;
4. The national target programme on HIV/AIDS, dangerous and social diseases prevention.
5. The national target programme on culture;
6. The national target programme on education and training;<sup>131</sup>

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<sup>130</sup> Conway 2003.

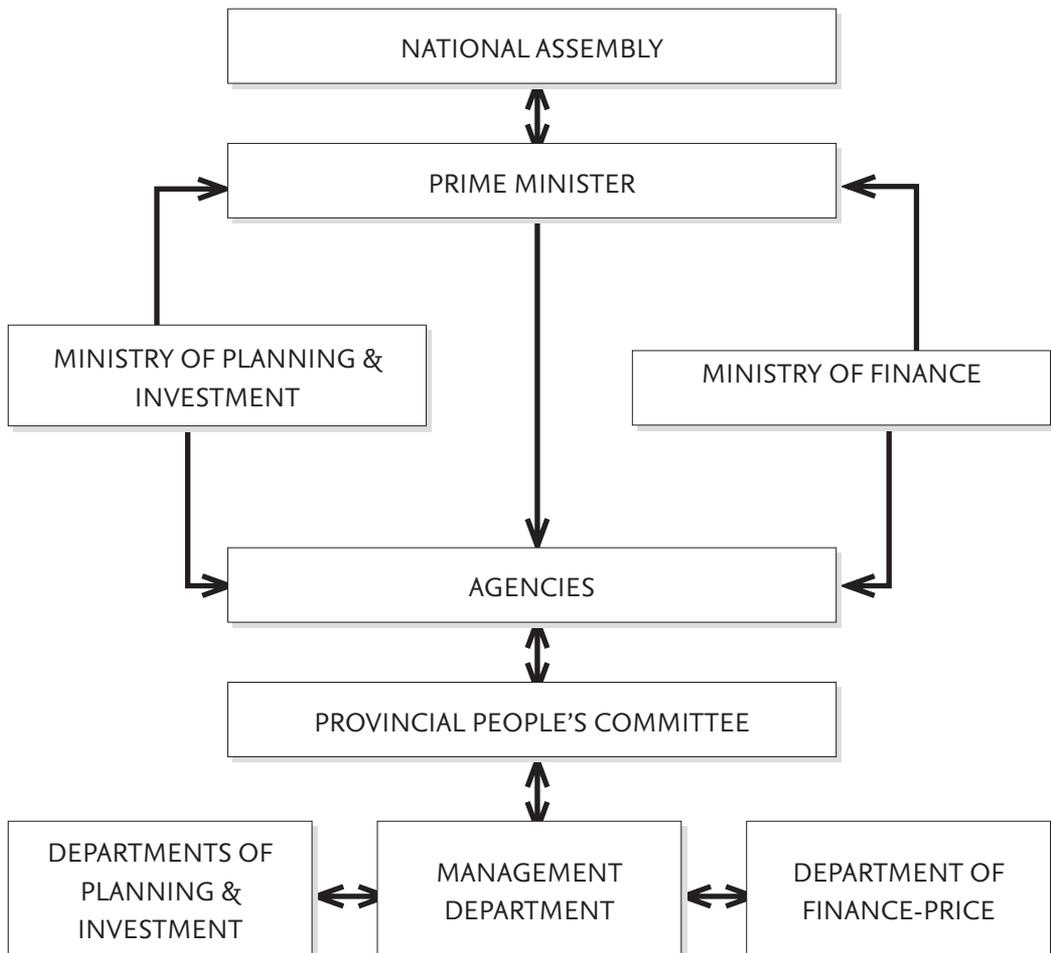
<sup>131</sup> In 2003, about 12 national programmes passed the National Assembly.

## Plan making

About August or September every year, the body in charge of poverty reduction programme in a locality, based on the guidance of the programme management board, combines with the local Department of Planning and Investment and the Department of Finance to assess the implementation of poverty reduction in their respective area and make proposal for objectives, duties and budget relating to the field. The report and proposal is then put into the general plan of the provincial People's Committee;

After receiving reports/proposals of programme management bodies (of the six programmes mentioned above), the Department of Planning and Investment, together with the Department of Finance, synthesise all targets, duties and necessary sources according to the list of national target programmes in their respective locality.

Figure 2: Model of plan-making



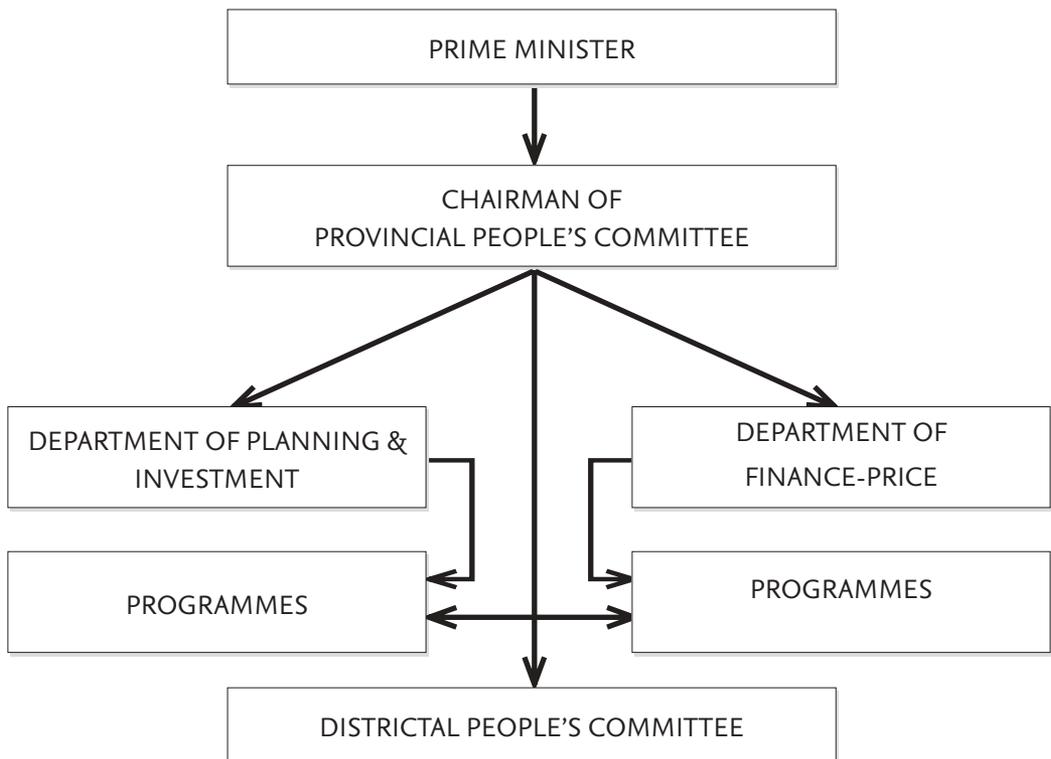
After that, the provincial People’s Committee submits their proposals to the central authorities (the Ministry of Planning and Investment and the Ministry of Finance). After reviewing, appraising and synthesising proposals made by different provinces, these two agencies shall make a report to the Prime Minister for submitting to the National Assembly for approval of budget allocation to the localities.

### Plan allocation

Plan allocations to localities are defined by the Prime Minister after the National Assembly approves the State budget for programmes. According to the Decision No. 531, the Prime Minister directly gave power sources to People’s Committees for each programme and project. However, this way of plan allocations showed shortcomings since it put localities in a passive position in the implementation of programmes and projects and created inflexibilities in the direct deployment of allocated plans.

To overcome this situation, Decision No. 38 promulgates more flexible procedures and gives more activeness to local government, i.e.,

**Figure 3: Model of plan allocation**



1. The Government gives provincial People's Committees the total volume of capital to carry out national target programmes in their respective areas (this is mainly the investment capital rather than management expenses that local authorities are required to be in charge).
2. The Ministry of Planning and Investment gives provincial People's Committees norms and guidance on objectives of each programme (for example, the reduction rate of household in poverty, poor families in the areas...).
3. The management board of a programme provides professional/technical guidance to local government in the form of an inter-ministerial circular in combination with the Ministry of Finance.

## 6 The I-PRSP, the CPRGS and other official strategies

The 9th Congress of the Communist Party was held April 19–22, 2001. It was attended by 1,168 delegates, representing 2,479,717 party members from 61 provinces. The Documents Preparing Commission received over a million suggestions and opinions during the preparation process.<sup>132</sup> Several months before the congress, the documents were published in the mass media. Outlining the Five-year Plan for Socio-economic Development (2001–2005) and the Ten-year Strategy for Socio-economic Development (2001–2010) commenced in 1998, around the same time as the planning of the CDF.

When the I-PRSP and the final CPRGS were outlined in 2001 and 2002, respectively, the two official documents were used as point of departure for formulating the PRSP. As mentioned earlier, the government saw the CPRGS

“...as 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 implementation. This is an *action plan* [authors’ emphasis] for realizing economic growth and poverty reduction objectives.”<sup>133</sup>

No doubt the government wanted to outline a plan that would satisfy the multilateral donors and open the way for more funding. The question here is whether the government wanted to use the CPRGS for national planning or merely produced an outline for appear-

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<sup>132</sup> Publisher’s note to Communist Party of Vietnam (CPV) 2001, p. vii.

<sup>133</sup> Socialist Republic of Vietnam, The CPRGS, p. 2.

ances? Seen as an “action plan” rather than strategy, the CPRGS becomes easier to understand from a transnational perspective; the government wanted to walk through the process and was apparently serious about devoting considerable time and resources to producing the outline. Yet, it did not challenge the nationally approved plans.

Wolff et al found that during summer 2002, both the Vietnamese and donor stakeholders thought that the PRSP, because it was a precondition for concessional loans, was primarily donor-driven.<sup>134</sup> The picture grew more complex within a year, when our team found that, in general, most stakeholders felt the government had “ownership” in outlining the plans, albeit with strong donor support. We agree with the conclusion of Wolff et al that the Vietnamese government wrote the strategy both to attract funding and to implement existing policies. Indeed, the reasons Vietnamese stakeholders have driven the process are multiple, but this does not mean, as argued by Jerve et al., that ownership has broadened, e.g. shifted from “government ownership” to “country ownership.”<sup>135</sup>

### **Plan contents and strategies**

This section briefly analyses the major documents in the PRSP process in preparation for a discussion of the differences and similarities between party documents and the two versions of the PRSP (I-PRSP and CPRGS). The purpose is to shed light on the types of strategies outlined by the party<sup>136</sup> and approved by the National Assembly, as well as the cooperative government-donor strategies approved by the government. As all the documents are large, a few areas are selected for scrutiny:

- The character of the documents,
- Development approaches,
- Focus on poverty,
- Approach to reform/equitisation of SOEs, and
- The Public Administration Reform (PAR).

We also consider the consultative mechanisms in the CPRGS.

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<sup>134</sup> Wolff et al. 2002, p. 33.

<sup>135</sup> Jerve et al. 2002, p. 55.

<sup>136</sup> Jerve et al. (ibid.) report that comments to the ten-year strategy were provided by people outside the government structure.

## **Socio-economic Development Plan (five-year plan)**

The five-year plan is a document of 93 pages, divided into 5 chapters:

- I. Socio-economic situation of the previous period (30 pages).
- II. General targets, key tasks for 2001–2005 socio-economic development (6 pages).
- III. Estimation of overall balance (2001–2005). Includes forecast on employment, accumulation and consumption, use of external capital, ability to balance state budget, international payment, capital for development investments, supply and demand for key commodities (8 pages).
- IV. Orientation for sectors, fields and regions. Includes agriculture, industry, services, external cooperation, education and training, science and technology, culture, social fields, environment, and territorial development (34 pages).
- V. Orientation for mechanism and policies of a multi-sector socialist-oriented economy, creating favourable conditions for investment in enterprises and individuals, and developing production and business (15 pages).

The goal of the five-year plan is to start implementing the ten-year strategy, which is aimed “at promoting industrialisation and modernisation in line with the socialist orientation, laying foundations for Vietnam to basically become an industrial country.” The five-year plan sets forth three socio-economic objectives:

- High, sustainable and effective growth,
- Macroeconomic stabilisation, and
- Preparation of preconditions for post-2000 development, chiefly in regard to the labour force, science and technology, infrastructure, and regime perfection.<sup>137</sup>

The plan is mainly a survey of achievements in the past five years, as well as suggestions, recommendations and targets for the coming five years. It does not include an analysis of the driving forces for change, besides growth. It is envisaged that industrialisation and modernisation will change the balance of sectors. The document lists the following central tasks:

“To push up economic growth in a fast and sustainable manner; to stabilise and improve people’s life; to shift swiftly the economic structure, labour structure in the direction of industrialisation and modernisation; to raise the efficiency and competitiveness of the country’s economy, to expand external trade; to bring about

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<sup>137</sup> CPV 2001, pp. 85.

immense changes in education and training, science and technology, and promote the human factor, to create more jobs, to basically eradicate hunger and reduce the number of poor households, to eliminate social vices, to strengthen socio-economic infrastructures, to form the institution of the market economy in the socialist orientation; to maintain stability in politics and social order and security; to steadfastly protect independence, sovereignty, territorial integrity and national security.”<sup>138</sup>

Thus, the designated areas of focus are high economic growth, development of a multi-sector economy, investment in social and economic development, expansion of trade, renovation and improving the health of the financial system, continuation of the renovation of education and training to deal with social problems, job creation, reformation of salaries, elimination of hunger and a rapid reduction of poverty, acceleration of administrative reforms and the consolidation of the national defence.<sup>139</sup> On our specific areas of scrutiny, the five-year plan has this to say:

Poverty agenda. Stability and improvement of people’s lives are high on the agenda. Notably, hunger eradication and poverty reduction efforts are included in the social chapters. If any connection is identified between growth and poverty, it is primarily a “trickle-down” approach combined with government investments in hunger eradication and poverty reduction.

SOE reform. This topic is only mentioned in Chapter V. The basic goal is to complete the reorganisation and reform of SOEs, raise their efficiency and competitiveness, and consolidate their leading role in the national economy. The target is to basically complete the equitisation of the SOEs, and the state accordingly does not need to hold 100 percent of their capital.<sup>140</sup>

Administrative reforms. These reforms are considered to have moved slowly and “lacked resoluteness and concertedness.” The reforms are nevertheless considered essential to “any success of the renovation process.” The administration should be streamlined, made transparent and have capability to serve people, enterprises and investors.<sup>141</sup>

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<sup>138</sup> CPV 2001, pp. 117–18.

<sup>139</sup> *Ibid.* pp. 118–19.

<sup>140</sup> *Ibid.* pp. 163–64.

<sup>141</sup> *Ibid.* p. 177.

## Ten-year Socio-economic Development Strategy

The ten-year strategy is a document of 60 pages, divided into 8 chapters:

- I. Situation of the country and international context (9 pages), encompassing
  1. Implementation of the 1991–2000 socio-economic strategy
  2. International context
- II. Strategic goals and development approaches (7 pages).
- III. Sectoral and regional orientation (16 pages), encompassing
  - A. Sectors
    1. Agriculture, forestry, fisheries, rural economy.
    2. Industry and construction
    3. Infrastructure
    4. Services
  - B. Regional issues
- IV. Synchronised formation of institutions and socialist-oriented market economy (10 pages).
- V. Education and training (6 pages).
- VI. Culture, social development (6 pages).
- VII. Accelerate administrative reform (3 pages).
- VIII. Organisation of strategy implementation (2 pages).

The overall goals of the strategy are:

“To bring our country out of underdevelopment; improve noticeably the people’s material, cultural and spiritual life; and lay the foundation for making ours basically a modern-oriented industrialised country by 2020. To ensure that the human resources, scientific and technological capacities, infrastructures, and economic, defence and security potential be enhanced; the institutions of a socialist-oriented market economy be basically established, and the standing of our country in the international arena be highlighted.”<sup>142</sup>

The ten-year strategy has a special chapter on development approaches. It is organised in a number of subsections with these headings:

- To ensure rapid, efficient and sustainable development, economic growth is to go along with social progress and equity, and environmental protection.
- To consider economic development as the central task, and the synchronised laying of foundations for an industrialised country as an urgent requirement.

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<sup>142</sup> Ibid. p. 190.

- To step up the renewal process, generate a driving force for releasing and promoting all resources.
- To closely link building of an independent and autonomous economy with proactive international economic integration.
- To closely combine socio-economic development with defence and security.<sup>143</sup>

The first sentence emphasises social progress and equity hand in hand with the economic growth. The overall tendency is, like in the five-year plan, very focused on growth and economic resources. The rest of the strategy is mainly concerned with the targeting of the various sectors and regions.

Poverty agenda. There is a short section on hunger eradication and poverty alleviation in Chapter VI on social and cultural development. It declares, “The state is to create an enabling environment for all people to strive for legitimate wealth and help the poor. It is to provide social benefits to people under special circumstances, unable to work by themselves and without any support.” The goal is to eliminate poor households by 2020.<sup>144</sup>

SOE reform. SOE reform is mentioned in Chapter IV, where it says that the equitisation of state enterprises should be translated into practice for enterprises, so that the state will not need to hold 100 percent of capital, and “in order to raise more funds, generate motivation and a dynamic management mechanism.” Workers will be given priority in buying shares. Domestic and foreign investors will then gradually be given access to shares. These reforms should be in place within five years.<sup>145</sup>

Administrative reforms. The final three pages of the strategy deal with administrative reforms. In addition to the general goal of establishing an efficient administration, there is a goal to “strongly decentralise power within the administrative system coupled with raising the centrality and uniformity in promulgating institutions.” Later the document mentions that the regulations on democracy and on expansion of direct democracy at the grassroots should be implemented. The population should have “easy access to public authority agencies and monitor officials and employees.”<sup>146</sup>

The character of the two documents is basically concerned with economic and, to some extent, social issues. Poverty is not the main concern; rather it is considered part of the

<sup>143</sup> Ibid. pp. 192–197.

<sup>144</sup> Ibid. p. 233.

<sup>145</sup> Ibid. pp. 215–216.

<sup>146</sup> Ibid. pp. 238–239.

social situation. Both documents are intensely growth oriented, but equity is also important. This is more apparent in the ten-year strategy than the five-year plan, where formulations occasionally make use of development language phrases such as “enabling environment.” Notably, the strategy document is written in more technical language.

### **Poverty Alleviation Strategy 2001–2010**

The economic focus of the five-year plan and the ten-year strategy can be partly – but only partly – explained by the division of the strategies into various types. Only the Poverty Alleviation Strategy, outlined by MoLISA, is included here among the national strategies. The Hunger Eradication and Poverty Reduction Strategy (HEPR) was the original name of this strategy in 1992, when it was initiated through efforts of the central government. It was finally institutionalised in 1998.<sup>147</sup> This strategy was supposed by some to found the basis for the I-PRSP, when the MPI got the more powerful position in the negotiations. The new Poverty Alleviation Strategy was outlined together with the I-PRSP in 2001, but produced by MoLISA. The 32-page plan consists of two parts:

Part I. Practical situation and result of implementation of the national target program on poverty alleviation in ten years (1991–2000) (6 pages).

This part assesses the changes in the situation during the 1990s. The assessment is based on the living standard surveys and the poverty assessments. Second, the policy of the party and the government is highlighted, and third, the results of ten years of poverty alleviation are surveyed and constraints are mentioned.

Part II. Orientation of poverty alleviation strategy 2001–2010 (18 pages).

The general conditions of the country are outlined, the general orientation is described, and the objectives, including concrete objectives for 2005 and 2010 are laid out. Three sections are included under strategic approaches. The first focuses on macroeconomic policies, concerning a competitive business environment, reform of SOEs, macro-stability, commercial policy and administrative reforms. Second, the methods of support are reviewed. These include credits to the poor, health, education, policies on ethnic minorities, social security, legal assistance, support for housing and land, support for infrastructure, business training, extension services, migration to new economic zones,

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<sup>147</sup> Nguyen 1999, p. vi.

support to culture and information. The third section focuses on implementation and resource mobilisation. Resources are to come from the government budget, as well as other sources such as internal forces, mass organisations, volunteers and international organisations, social organisations and NGOs. Finally, all ministries should formulate policies, and cooperation should take place with the mass media and the People's Councils. An annex is added with brief surveys of the poverty changes based both on the national poverty line and the World Bank's poverty definitions, a target of heated discussion over the years.<sup>148</sup>

The Poverty Alleviation Strategy is a shorter, well-structured document that outlines fairly clear goals and poverty reduction measures. While it has a direct approach to the integration of poverty reduction into overall development tasks, it is interesting to note that it includes many general tasks such as macroeconomic policies for finance and trade. The discussion between the various ministries on who should lead the process of developing the strategy has apparently influenced on the document's character.<sup>149</sup> The document is a syncretic mixture of the traditional themes of the party and government with new ideas that have emerged from the Partnership Process:

“Poverty alleviation has become a global issue, an urgent and challenging issue for developing countries, including Vietnam. That is why poverty alleviation is a social revolutionary cause with high humanity, a long-term policy, a decisive policy and a significant activity program.”<sup>150</sup>

There is also a formulation that is not found in the five-year plan or ten-year strategy, i.e. that “economic growth should go together with poverty alleviation for sustainable poverty alleviation.” Not only should poverty issues be further integrated with development plans, the

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<sup>148</sup> MoLISA and General Statistical Office/Ministry of Planning and Investment each have their own methods of collecting data. Moreover, the World Bank set up surveys of 4,800/6,000 households for the Living Standard Surveys 1992/93 and 1997/98. The definitions differed substantially. The World Bank used calorie consumption of 2,100 calories per day. Vietnamese institutions used kilos of rice minimum as food poverty limit: 15 kg per capita/month in rural mountainous and islands, 20 kg in rural plains and midlands and 25 kg in urban areas. From 2001, there seems at least to be agreement of a new common poverty line, which is still well below one dollar a day. In rural mountains and islands it amounts to 80,000 dong/month, in lowlands and midlands 100,000 dong/month and urban areas 150,000 dong/month.

<sup>149</sup> As mentioned earlier, MoLISA lost its early influence on the cooperation when the MPI was assigned to outline the I-PRSP. MoLISA was criticised for its narrow concept of poverty in the Hunger Eradication and Poverty Alleviation Strategy (Conway 2002, p. 26).

<sup>150</sup> Ministry of Labour, Invalids and Social Affairs 2001, p. 9.

strategy also suggests areas that are in contradiction to the five-year plan and ten-year strategy. For example, “Industrialisation and modernisation of the country should firstly mean industrialisation and modernisation in rural areas and in agriculture.”

### **The Interim Poverty Reduction Strategy Paper (I-PRSP)**

The I-PRSP was completed together with other plans, including the Poverty Alleviation Strategy, in May 2001. The preparation took a year. It was, according to its own presentation, written by local experts assigned by the Ministry of Planning and Investment (MPI) with the assistance of the World Bank, the IMF, UNDP and FAO.<sup>151</sup> The document states it was requested by the Poverty Working Group, but also mentions that it was formulated to serve as a basis for obtaining concessional credit under the IMF Poverty Growth Facility and the World Bank Structural Adjustment Credit, and that it was “closely linked with and consistent with the 5-year and 10-year strategies.”<sup>152</sup> The document of 54 pages consists of 5 parts, plus an annex:

- I. Economic setting, current poverty situation, achievements and challenges (13 pages).
- II. Growth and poverty reduction objectives (2 pages).
- III. Macroeconomic mechanisms and policies to promote economic growth and generate resources for poverty reduction (10 pages).
- IV. Sectoral policies and measures to create opportunities, decrease vulnerability, and provide safety net support for the poor (10 pages).
- V. Schedule for the formulation of comprehensive poverty reduction strategy paper 2001–2010 (2 pages).
- VI. Annex: Outline of macroeconomic plans 2001–2003, and policy matrix 2001–2003, with objectives arranged in order with policy and measures for each objective (13 pages).

The I-PRSP looks like a document outlined in the institutionalised format requested by the ODA institutions. Unlike the five-year plan and ten-year strategy, the document emphasises poverty reduction throughout the document. The development thinking, on the other hand, is still in the trickle-down approach of the government and party, whereby “high and sustainable growth will narrow the economic development gap between Vietnam and

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<sup>151</sup> I-PRSP, [www.vdic.org.vn](http://www.vdic.org.vn), pp. 51–105. The process of cooperation is presented in the last section, p. 87.

<sup>152</sup> I-PRSP, quotations, pp. 51 and 87.

other countries in the region and the world, generate resources to raise the welfare and living standards of the people, reduce poverty.”<sup>153</sup>

The chapters on macroeconomic policy and industrial policy are longer than in the Poverty Alleviation Strategy, but not substantially different. Section five is devoted to poverty measures. The document mentions many of the issues from the five-year plan and ten-year strategy, but tones down demands for change. New issues in the I-PRSP include an increased emphasis on gender and children, but it is still weak on other issues usually of concern for donors such as environmental protection, ethnic minorities and monitoring. Notably, a new approach that differs from all three previous strategy papers is introduced; Self-organisation and encouragement of people to take initiative to help themselves supplant the top-down approach of the “state providing support and conditions for people, particularly the poor.”

When the Joint Staff of World Bank and IMF reviewed the document to assess if it sufficiently met the criteria for extending the two credit facilities, it noted that progress in implementation of the strategy had taken place. The board ultimately endorsed it. The Joint Staff saw government ownership of the process as a positive element, but it did not praise the document as a coherent strategy. As mentioned, the IMF loan was granted a few months before the World Bank’s. The common interest to provide the loans is likely to have made the organisations less critical than they would have otherwise been. On the other hand, the credits came with calls for improved monitoring, correcting gaps in the poverty analysis, development of sector strategies, prioritising of programs, strengthening the participatory process to create broader ownership, and answering questions about the capabilities of the government organisation. Finally, it was noted that adequate attention should be paid to vulnerable groups that would not automatically benefit from structural reforms. These measures were requested to be included in the final PRSP.<sup>154</sup>

### **Comprehensive Poverty Reduction and Growth Strategy (CPRGS)**

When the final PRSP was presented publicly to the donors in May 2002, it had the new name of “Comprehensive Poverty Reduction and Growth Strategy,” a clear sign to the world that the Vietnamese PRSP was different from others, and that the Vietnamese government wanted to signal their priorities in development and social stability: Economic growth, employment and increasing incomes. Dr. Cao Viet Sinh, the Deputy Director of MPI, who had

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<sup>153</sup> Ibid. p. 51.

<sup>154</sup> Wolff et al. 2002, p. 25.

led the process, was proud to present the document and proclaim that Vietnam was the first country to generate a complete PRSP by itself.<sup>155</sup>

The strategy is a mammoth document of 117 large pages and Annexes of development objectives with a policy matrix, and a 20-page timetable for implementation, containing detailed, apparently well-organised objectives and monitoring indicators.<sup>156</sup> The entire document was produced in less than a year.

The plan is organised into six parts:

- I. Socio-economic setting, current poverty situation, achievements and challenges (34 pages).
- II. Objectives and tasks of socio-economic development and poverty reduction for the period up to 2005 and 2010 (11 pages).
- III. Creating an environment for rapid sustainable development and poverty reduction (20 pages).
- IV. Major policies and measures to develop sectors and industries to promote sustainable growth and poverty reduction (30 pages).
- V. Mobilizing and allocating resources for economic growth and poverty reduction (16 pages).
- VI. Implementation, monitoring and evaluation of the poverty reduction and growth strategy (4 pages).
- VII. Annexes

The document is both a study of the present status of poverty, based on the various surveys and investigations made by the international agencies and the government (I); setting the goals of the five-year plan and ten-year strategy, and a more theoretical chapter about the relations between growth and poverty (II); macroeconomic and legal environment for competitive business, including SOE reform, the Public Administration Reform and strengthening the grassroots dialogue (III); the forth chapter looks at measures to develop the various sectors, but also includes suggestions to narrow the gaps both between regions, ethnic groups and gender. Finally, social safety nets and disaster relief are included (IV). The last two sections include what their headings indicate. Section VI on monitoring is a new topic not touched on in earlier plans, and a subject of intense general

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<sup>155</sup> Ibid. pp. 33–34.

<sup>156</sup> In the process it was decided to use many of the UN millennium goals, in a modified form.

discussion during the drafting period. The goals are mainly a modified version of the Millennium Development Goals.

Altogether, a broad range of subjects is included in the CPRGS, even if, in many cases, the subjects and ideas are incongruent. For example, business environment, macro-stability and grassroots democracy are included in the same section as constituting the environment for growth and poverty reduction, which of course is fair enough. The problem is that the CPRGS suffers from a mixture of facts, reviews, analysis, ideas, targets and normative suggestions. Many of the key terms in development language are included in the formulations. The CPRGS is essentially a shopping list that can be used by various institutions for a wide range of purposes. The only part of the document with concrete (mostly quantitative) development goals and monitoring indicators that constitute operational tools is the Annexes. These goals and indicators can conceivably be used of donors and governments as sticks and carrots to drive a process in a desired direction.

Poverty agenda and development thinking: The poverty agenda in this document has broadened so much that it cannot be summarised easily. Section I gives an overview of the poverty situation in Vietnam largely based on the lessons of the *Attacking Poverty* report of 1999. Moreover, causes of poverty are outlined based on the PPAs and living standard surveys initiated by the PTF. The government was initially sceptical of information based on qualitative research methods, but here the sources referred to are the quantitative and qualitative studies and apparently accepted in the dialogue with donors. Section 2 opens by referring to the five-year plan and ten-year strategy and economic goals. New areas deserving attention include gender, children and poor people.

Despite some wishful thinking, development thinking here is outlined more clearly than in any earlier strategy in a special paragraph entitled "Relations between growth and poverty reduction." One of the basic ideas is that poverty reduction is achieved through "broad-based, high quality and sustainable economic growth" that "creates favourable conditions for poor people and poor communities to access opportunities to develop and expand their production and businesses, and to enjoy the fruits of growth." The strategy is rich in concepts, which makes it difficult to identify just a single line of thought. A good illustrative quotation appears in the poverty agenda:

"Poverty reduction is not simply to redistribute income in a passive manner, but to create growth dynamism on the spot and is a process in which the poor take their own initiative in improving their situation in order to overcome poverty. At the same time, poverty reduction is not merely a one-way support from economic growth to disadvantaged people, but

also an important factor that lays down a relatively playing field for development, provides additional abundant labour force, and ensures the stability in the ‘take-off’ period.”<sup>157</sup>

The concept of self-initiative, which was introduced in the I-PRSP, is followed up in the CPRGS with greater stress, i.e. “Poverty reduction must be seen as the mission of poor people and poor communities themselves, because it is their self-help efforts to escape from poverty that is the driving force and necessary condition for obtaining the goal of poverty elimination in all countries.” However, it is later stated, “The State will support the poor to enable them to learn how to escape from poverty and avoid falling back into poverty when risks befall them.” Here we see a mixing of neo-liberal thinking of growth as the driving force, based on the initiative of poor people, and on the other hand, the traditional thinking of the Vietnamese government and party, i.e., that the state will guide people and provide the conditions. It is important to note that “poor” may to be equivalent to “people” in this case, which makes the strategy look more poverty oriented than is the case when there is no distinction between people and poor. It can, of course, be argued that nearly all people are poor in Vietnam, but that it not enough to address specific issues of differentiation among people.

Tackling the various gaps (between regions, poor communes and poor people) is discussed in section IV by having the “state” adopt special policies, particularly when it comes to the “extremely poor.” Clearly, the poor receive greater attention in the CPRGS than in earlier plans, but the development thinking is very similar to what has been pushed by the World Bank since the early 1990s, i.e. economic growth is the most important factor for poverty reduction, and the poorest have to be supported by special programs.<sup>158</sup>

SOE reforms. This chapter in the CPRGS does not substantially differ from the I-PRSP, even if it has been enlarged and is more specific in relation to the need for new decrees and the revision of others. The core message remains that reforms and equitisation should continue and that the state no longer needs to hold full ownership in many cases, which is consistent with the five-year plan and ten-year strategy.<sup>159</sup>

Administrative reforms. The CPRGS chapter on administrative reforms follows the I-PRSP, giving more detailed reference to the present process. It also includes a call for de-

<sup>157</sup> CPRGS, op. cit. p. 43.

<sup>158</sup> This policy is highlighted in the *World Development Report* from 1990 and was much discussed at that time by the INGOs.

<sup>159</sup> I-PRSP, p. 67, CPRSG, p. 47-49.

centralisation, transparency, and supervision at the grassroots level.<sup>160</sup> The main addition is a three-page section on enhancing grassroots democracy. Here, new terminology is introduced, including “development of a legal framework for civil society and community organisations at local level” and “promote people participation... in policymaking... through application of the Grassroots Democracy Regulation at the district and communal level,” and the inclusion of vulnerable segments of society such as the elderly, women, the disabled and ethnic minorities.<sup>161</sup> As noted earlier, “civil society” is not a term widely used by the government (see Chapter 2, 3 and 5) and moreover not a concept easily understood in Vietnam. Grassroots democracy has also traditionally referred to the village level, but the CPRGS makes reference to the commune and district levels as well.

To conclude, the CPRGS, while not so different from other official documents (e.g. the ten-year strategy), contains innovative theoretical arguments, new terminology and a new focus on marginalized people. However, as noted in Chapter 5, some areas are omitted and the focus on general economic development is more limited than in other official documents. The comparison of the various strategies shows that there are, after all, substantial innovations in the CPRGS with respect to the theoretical connection between poverty and growth, as well as a shift in terminology. Moreover, the targets for change in the annexed development objectives include many newly identified targets (much in the way the party and government have traditionally set targets) without defining clearly how such targets are to be reached. The annexes are the most tangible part of the CPRGS, and probably the part where the participants in the government outlining group learned most about planning techniques and indicators.

There are no mechanisms of accountability in the CPRGS at this point. This could be an area the donors might wish to further develop so they can see where they are putting their money.<sup>162</sup>

## Comments from stakeholders

Stakeholders have differing ideas on what should have been included in the CPRGS to make it a full-fledged strategy. The joint staff of the World Bank and IMF recommended the strategy, but nevertheless assessed it fairly critically in June–July 2002 on a number of points. These included the assessment of poverty and the criteria for poverty assessment, weakness-

<sup>160</sup> CPRGS, p. 53, I-PRSP, p. 77.

<sup>161</sup> CPRGS, pp. 62–64. See Conway (2003, pp. 35–6) for a thorough analysis of this aspect.

<sup>162</sup> This point is also made more specifically in a prememoria for human rights analysis of the CPRGS planned by Sida’s regional advisor on Democracy and Human Rights, March 5, 2003.

es in the links between proposed reforms and poverty reduction, a lack of measures against corruption, failure to implement the Grassroots Democracy Decree, calls for stronger action on gender inequality and insufficient addressing of the environmental problems.<sup>163</sup> The government responded that it is still mainly focussing on poverty, not on all the others issues of development in the CPRGS. The bilateral donors have also commented individually and in collectively. One important group of voices is the “like-minded group of bilateral donors” (LMDG), which have grouped themselves with similar ideas of development cooperation.<sup>164</sup> The LMDG has produced a common statement aimed at the MPI and circulated to other stakeholders.

The LMDG generally praises the CPRGS as a strategy approved by the prime minister. It is the result of countrywide consultations and “is widely held to be a model for similar strategies elsewhere in the world.”<sup>165</sup> After a general review of the CPRGS, the comments call for continued political will for implementing the strategy, including assuring adequate political and administrative capacity. This is a central and very appropriate concern for most bilateral donors. Many donors claim they are prepared to use the CPRGS as the basis for future cooperation. Others do not expect the strategy to actually be carried as “the Vietnamese do as they like, anyway.”

The LMDG note that there seems to be no expectation that fundamental social and political change need accompany economic transitions “for example, to increase political accountability,” as it is diplomatically formulated. Hence, there are many areas where the CPRGS is far from reflecting reality, including such areas as land allocation, subsidies and credits, restriction on urban migrants, shortcomings of social policies, continued preferences for SOEs, corruption and how it is dealt with by legal and administrative reforms. Further concerns relate to inconsistencies between the CPRGS and the Public Investment Programs, on how the CPRGS relates to the ten-year strategy, the failure to get approval by the National Assembly, how the strategy will be implemented in provincial strategies when there are substantial differences in capacity, particularly in the poor provinces, how poor peo-

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<sup>163</sup> IMF and IDA, Joint Staff Assessment of the Poverty Reduction Strategy, Vietnam. June-July 2002. [www.veddi.org.vn/eng/cprgs/pov\\_strat00r.htm](http://www.veddi.org.vn/eng/cprgs/pov_strat00r.htm).

<sup>164</sup> This group includes Canada, Denmark, Finland, Germany, the Netherlands, Sweden, Switzerland and UK. This group has produced a document about prospects for donor harmonisation and presented recommendations to the CG in 2001. Canada and Denmark joined the group later, Jerve et al., p. 34.

<sup>165</sup> “Analysis of the Vietnam Comprehensive Poverty Reduction and Growth Strategy,” Jan. 17, 2003. The document is 10 pages in length.

ple can play a role as active agents in the poverty reduction process, and failure to integrate key environmental issues. In summary, the LMDG points to the fact that the challenges lie in the implementation of the CPRGS and achievement of tangible positive outcomes for the poor.<sup>166</sup> The critique is more substantive than most.

The documents from the PRSP/CPRGS process show that the ideas evolved considerably over time, even if some of the fundamental principles of growth leading to poverty reduction were retained. However, they do not reveal how certain ideas made it into the final plan. This was a complicated process with many actors and institutions involved.<sup>167</sup>

While poverty language penetrated the CPRGS, as mentioned, the term “poverty reduction” somehow came to be equated with growth and the “poor” with the people. The poverty assessments implemented by the INGOs might have contributed to an opening of broader acceptance of the importance of reducing poverty through establishing more specific targets. One INGO claimed that it sought in the PTF to get back to the poor when the neo-liberal discussions became too dominant, “but the Vietnamese side finally took its own decisions, after having listened to everybody.”<sup>168</sup> The power of language and consultations has nevertheless had a considerable impact at the central level. Language that speaks directly to the increased gap between rich and poor has yet to be introduced by any of the partners.

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<sup>166</sup> Ibid. pp. 6–10.

<sup>167</sup> Even during the various drafts of the CPRGS, new issues were added after consultations, e.g. increased orientation to issues related to poverty, gender and children. Wolff et al. 2002, p. 28, communication with Save the Children, Sweden.

<sup>168</sup> Ibid. p. 35.

# 7 Political outcomes and changing alliances

## The government

Very few sources question that the government has “ownership” of the CPRGS, but that ownership is interpreted differently depending on the nature and extent of ownership.<sup>169</sup> It is sufficient for our purposes here to focus on the outcomes (partly unintended) of the broader political configuration of players.

The government opted to enter the process on the assumption that it could be in control. A fundamental motivation for entering the process, of course, is qualifying for the World Bank’s International Development Assistance (IDA) soft loans, where foreign capital is necessary to sustain growth, and foreign direct investment has levelled off. However, obtaining concessional loans required outlining an I-PRSP and a CPRGS. The government was also motivated to press ahead by the fact that completion of the CPRGS/PRSP would make Vietnam eligible for other types of multilateral funding, including the Fast Track Initiative connected with the “Education for All” program outlined under the Millennium Development Goals. Another important goal of the government, i.e., a legitimating factor for the leadership, was to attract capital to Vietnam to maintain high growth and increase incomes. The Partnership Process has also opened access to the international financial community and other global fora from which

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<sup>169</sup> Tim Conway (2003, pp. 27–28) presents a number of interpretations. Peter Wolff et al. (2002, p. 73) conclude that it is only a small group of bureaucrats and donor representatives involved in the discussion related to the strategy and only towards the end, when a wider group of government, non-governmental and donor representatives became involved. The CDF report has lengthy discussions of the issues, for one thing pointing out that ownership and partnership “are not two sides of the same coin” (Jerve et al. 2002, p. 44, p. 30, p. 37, pp. 42–43).

Vietnam was excluded for many years. Now Vietnam can sit with the biggest donors, not just the small ones as earlier. The MPI also wanted to show both its partners and other Vietnamese agencies that it could play the high-stakes aid game and reach results quickly.

The CPRGS is a political agreement at the top central government level, and, in spite the consultations, it is still not very well known outside those who have been involved in the process or have been asked to participate. On the other hand, the language of development and poverty reduction is forceful and resounds deeply within Vietnamese society. Along with the global impacts and increased communication, the ideas might slowly penetrate even to the remote areas of Vietnam, where the development language and the political processes are institutionalised in different ways, mainly around the administration, the party, and mass organisations.

The real question – the one that might have the strongest impact on the political space – is whether the government intends to merge its national policy with the policies agreed upon with the donor community. This question has yet to be answered, because the process is only beginning. However, there are differing views on this question, and moreover, it will be tested as policy is introduced and implemented at lower levels, where the overtly heavy and complicated task of the goals in the CPRGS will overload available knowledge and capacity for a long time to come.

The government is capable of cooperating productively with the donors and the INGOs, but it remains hesitant to accept the role of LNGOs, which accordingly only achieved select space for manoeuvring. The government accepted the LNGOs in the PTF at the invitation of the World Bank. Apparently, the government is in a process of establishing better regulations for LNGOs. However, there is little space for the INGOs and even less for the LNGOs in programs at the provincial level and below (that is, roles other than being supportive), even if space has expanded over the last decade. On the other hand, the mass organisations and CBOs at the local level have increasing space for operating to fill gaps left by the roll-back of the government in economic and social areas. The Grassroots Democracy Decree from 1998 and its recent revisions provide the best evidence of this. Even if it should not be seen as giving space to civil society in the classical sense, it does give room for making the administration more accountable to people at the grassroots level.

## **Multilateral donors**

### **World Bank**

The World Bank has had happy days in Vietnam. Our analyses show that the CPRGS project has been carried far by the leadership, personal abilities and ambitions of the Bank, which

bucked classical theories of development when it entered an opening society with a flexible “comprehensive framework.” A central figure has been the former World Bank country director, Andrew Steer, who served in Vietnam from 1997 to 2002. Against all odds, he employed great skill and extensive networking to expand the country office with well-trained, ambitious staff, implement a new policy, increase openness at the top level in Vietnam to learn from the outside how to handle an increasingly complicated society and respond to the issues of rapid modernisation. All the theoretical ingredients in the CDF could be brought into play on a grand stage, with a possibility that some of the new ideas could be successfully implemented and contribute to poverty reduction and social change.

The World Bank has shown tremendous management skill in making the operation work, not least through networks, giving access to information, openness to the government, the INGOs and even (to some extent) LINGOs. The most obvious difficulty is that the World Bank may be overly confident that it can be an agent of change. Changing Vietnamese reality on the ground is complicated due to deep-rooted cultural traditions and a mighty sense of national sovereignty. The preconditions for continuing the show were new credits to Vietnam and support from the bilateral donors, which ultimately are the main contributors to the World Bank’s activities. Besides, the Bank needs to lend money to continue its operations, and thus prefers fairly stable countries where money can be safely invested – and recovered. The World Bank thus needed to reach out to all the players to achieve the goal of implementing the CPRGS within as short a time as possible.

The country director helped promote a highly positive perception of Vietnamese society and its potentials in the eyes of the world and, of course, increase investor interest in Vietnam. At the presentation of the Country Assistance Strategy in 2002, Steer observed:

“The CAS lays out a program of support of up to USD 3 billion. This is the second largest IDA program in the world, after India, and reflects the extraordinary potential and opportunities, that exist in Vietnam. We believe that if it stays on the right track and addresses the challenges that lie ahead, it can meet its development objectives in the coming years.”<sup>170</sup>

This vision was repeated in many fora. The staff was trained in the new spirit of the CDF and how to work flexibly with the partners. The new vision penetrated the publications connected with the Partnership Process. Even without being conscious about it, he apparently introduced a new “constructivist” vision of Vietnam as a country that could carry out quick transformations successfully.

<sup>170</sup> <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0>, visited June 5, 2003.

The World Bank worked well with most of the partners, because nobody wanted to lose influence in the new game. That is not to say that all partners were particularly happy about the process. The INGOs were granted space, because they were needed. The LNGOs also gained limited space at the central level, which helped to legitimise participatory requirements at the international level. The INGOs were given the most important role at local level through the PPAs and assessments of various strategies. However, the Bank apparently never had intentions to work with them in implementing projects and programs. This was left to local administrations. The Bank has created a small fund for LNGOs.

## UNDP

UNDP's strengths are its long-term commitment and knowledge of Vietnamese institutions. It was nevertheless pushed to the background when the World Bank entered the scene. It also lost substantial operating funds in the same period. Once the main donor and organiser of donors in Vietnam, UNDP has experienced a number of difficulties, including fairly weak management. However, important programs are still undertaken by UNDP, in particular, the Public Administration Reform (PAR), an important pillar of the CPRGS.

Otherwise, UNDP has essentially a peripheral role in the CPRGS, and follows the lead of World Bank and the government. UNDP has been instrumental in the process of including the National Assembly, and to some extent the non-state actors in the process, and it has contributed to development of monitoring systems. UNDP went along in solidarity with the PWG/PTF all the way in the CPRGS process, but has been critical of the speed of the process, the lack of ownership in some of the line ministries, the alienation of certain bilateral donors, and the lack of serious treatment of input in the process. Moreover, it has criticised the consultative manner in which the participatory processes were carried out.<sup>171</sup> One problem is the lack of coordination among the donors in various programs and projects. Here, UNDP could have played a much stronger role. A recent evaluation of UNDP's role in the CPRGS process also suggests that UNDP should support capacity building of LNGOs to obtain the active participation of civil society and should cooperate more with the INGOs and LNGOs.<sup>172</sup>

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<sup>171</sup> Nguyen and Weeks 2003.

<sup>172</sup> Ibid. pp. 18–19.

## Bilateral agencies

The bilateral donors comprise a large number of agencies. The most actively involved in the CPRGS processes became members of the PTF. The first members were Sida (Sweden) and DfID (UK), and later in 2001 the bilateral donors changed and consisted of DfID, GTZ (Germany), JBIC (Japan Bank for International Cooperation), and JICA (Japan International Development Cooperation). Sweden left (or more correctly, was left out). In 2002, Denmark joined the PTF, when it increased its funding to the process. The World Bank found it important not to include too many donors to avoid the creating of a donor-dominated group, and, on the other hand, to assure the participation of the largest and most active donors. The decision of membership thus seems to be decided by the World Bank.

There are two Japanese development organisations operating in Vietnam. The most important contributor by far the JBIC, solely a credit agency, did not initially feel comfortable in the PTF forum with the focus on poverty reduction through specific programs. Japan is overall the largest bilateral donor, but Japanese cooperations focus mainly on large-scale infrastructure programs, arguing that economic growth through investments in various types of infrastructure, particularly roads, benefits Vietnam the most.<sup>173</sup> However, poverty concerns are beginning to enter the agenda of JICA. The new perception is that broad-based growth will also lead to poverty reduction, and Japan has found a role in the poverty reduction process by linking it to the infrastructure program.<sup>174</sup> Japan found it reasonable to be present in the PTF as the largest donor to Vietnam, but only in recent years has it begun to assert an active position. For example, after the completion of the CPRGS in 2002, it proposed an additional chapter on infrastructure, which it found too weakly integrated into the strategy. Apparently, there is a common interest with the government here. Cooperation with civil society is not a serious concern of Japanese cooperation, rather, Japan is mainly concerned with regional security and economic cooperation. The political system as such is unimportant. Nevertheless, a small fund was set up at the embassy to fund local NGOs. More than any other bilateral donor, Japan gives higher priority to its bilateral negotiations with the Vietnamese government than to the multilateral CPRGS process. Since 2001, negotiations have taken place on a new large-scale initiative, the “Investment and protection agreement,” which was signed in 2003. Moreover, the large-scale infrastructural projects

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<sup>173</sup> UNDP 2002b, p. 15.

<sup>174</sup> Japan's Development Cooperation in Vietnam 2002.

favoured by the Japanese generally do not require deep involvement with individual provincial administrations.<sup>175</sup>

The LMDG (like-minded group of bilateral donors) expanded its membership in 2002 to include development cooperation from Canada, Denmark, Finland, Germany, the Netherlands, Norway, Sweden, Switzerland and the UK. In a comment on the CPRGS to the MPI in January 2003, the donors acknowledged the strategy, while raising a number of severe reservations. With respect to the inclusion of “civil society” in the process, the CPRGS does not convey any expectation of fundamental social or political change that should accompany economic transition, such as increased political accountability. Moreover, the LMDG called for greater recognition of the role of poor people as key stakeholders and active agents in the poverty reduction process (this document was discussed in Chapter 6).<sup>176</sup> The bilateral donors are generally more critical and concerned than the World Bank about the political sphere in Vietnam, which is among the more sensitive areas for the government.

The Nordic countries launched a new initiative in 2003, the Nordic Country Initiative. They will present ideas related to the implementation of the PRSP/CPRGS through the Nordic Director at the World Bank. One idea is that poverty orientation should be strengthened in the coming CPRGS and through the World Bank funding instruments (the Poverty Reduction Strategy Credits and Structural Adjustment Loans). They also recommend that more funding be channelled for sector support rather than projects, as has been the case, the so-called Sector Wide Approaches. The initiative also comments on the role of IMF, ADB and other donors. One objective is to ensure better donor coordination and harmonisation.<sup>177</sup>

DfID entered the cooperation with Vietnam relatively late compared to other donors and with a fairly limited budget. Its policy strives to carry out programs exclusively in cooperation with other donors. The agency has a sharper, more policy-oriented profile than other donors. DfID has taken the lead among the bilateral donors in the PTF. It has cooperated closely with the World Bank in outlining policies and intellectual capacity in the CPRGS process through the funding of two experts in the Bank and the setting up of a trust fund to help finance PPAs carried out mainly by British INGOs.<sup>178</sup> As for the other donors, they have

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<sup>175</sup> Interview with the Japanese Ambassador, Hattori Norio, and Pham Van Dung, head of government's negotiation team on the agreement, *Vietnam Economic Times*, May 2003, pp. 16–17.

<sup>176</sup> “Analysis of the Vietnam Comprehensive Poverty Reduction and Growth Strategy” 2003.

<sup>177</sup> “Follow up to the review of the implementation of the PRSP,” discussion paper from the Foreign Ministry. Information from Nordic Embassies and meeting in Copenhagen about PRSPs mid-August 2003.

<sup>178</sup> Civil Society Participation in PRSP 2000, pp. 9, 13. Wolff et al. (2002, p. 30) mentions only one expert, not two.

**Table 2. Donor disbursements in Vietnam in 2001, USD million**

Donor	Disbursement of aid
Japan	321
World Bank	313
ADB	183
IMF	105
INGOs*	84
France	67
Denmark	48
UN	42
Rep. of Korea	37
Sweden	31
UK	28

\* Only projects above USD 50,000 reported by bilateral or multilateral donors are included here; the actual figure was probably considerably higher.

Source: UNDP (2002). The figures vary from year to year, and can only be taken as indicator for the aid distribution. The EU gave substantially more support in 2003 and entered the top 10 donors.

mainly given consent to the process and followed it as much as possible, but in a fairly reactive way, even more than UNDP, because of lack of capacity in most of the offices for spending excessive time in meetings, policy manoeuvres and providing intellectual input.

A few experienced donors were very critical at the beginning, and considerable scepticism is still found towards the World-Bank-dominated process. However, the donor staffs change regularly, and the “guided process” has been fairly successful, which makes it difficult to be overtly critical. A recent evaluation report of the process recommended that the German development cooperation institutions allocate more decision-making power to the country level, and enlarge their staff capacity to implement harmonisation processes and donor coordination.<sup>179</sup> Obviously, the structure of the cooperation is not geared to this type of policy making in general, so this is not only a problem for the Germans but for nearly all bilateral donors. The CDF/CPRGS is also a challenge to the donors for better cooperation, or harmonisation, among themselves. Despite improvements and a few common initiatives, our interviews revealed that most donors are engaged in their own programs and accountable to their own constituencies.

<sup>179</sup> Peter Wolff et al. (op. cit. p. 70–71) conclude their study by analysing the needs for the German development cooperation in Vietnam to adjust to the new donor and partnership environment, where the various institutions are geared to implement projects and provide technical assistance, rather than generate a conceptual policy dialogue.

Some donors are even reluctant or incapable of coordinating and cooperating, i.e. “harmonising,” with others. Thus, donor coordination generally has yet to occur, but the Partnership Process nevertheless opens up the possibility for greater coordination and information flow.

With respect to INGO and LNGO support, the policies of the bilateral donors vary as much as their structures and national policies. Some donors give exclusively (or mainly) to INGOs from their headquarters (e.g. the case for Sweden and Denmark), so their cooperation with the INGOs is not particularly close. In spite of the clear intention to promote civil society in Vietnam, the national donors’ NGO strategies are poorly suited to close cooperation with the INGOs, and they are not transformed into coordinated efforts (possibly because Nordic NGOs are small and target oriented). The Swedish bilateral Northern Mountain Development Project came to function as a substitute INGO project ahead of the *Attacking Poverty* report, where the PPA was performed by a consultant rather than an INGO. In 2002, Sweden supported seven Swedish NGOs working in Vietnam, of which Save the Children Sweden (Rädda Barnen) was by far the largest. Save the Children Sweden prefers to work with local authorities rather than LNGOs. However, Save the Children Sweden is aware and somewhat supportive of new locally organised initiatives, particularly in the south of Vietnam. Moreover, Save the Children Sweden is a member of the larger Save the Children network in the region, but subject to a division of labour that only allowed the organisation to participate actively in the CPRGS process after mid-2002 (Save the Children UK actively participated all along). Most Swedish INGO support is implemented through local partners, of which VGCL, the trade unions and one of the mass organisations, is a local partner.<sup>180</sup> In the Danish case, the INGO support to Vietnam is more limited than its cooperation worldwide. The situation has recently taken almost parochial forms, where Care Denmark,<sup>181</sup> one of the few Danish INGOs working in Vietnam and one of the few INGOs concerned with civil society in a broader sense, has had its budget cut because the Danish authorities have decided Vietnam’s civil society is not sufficiently strong. Danish Development Cooperation, Danida, does not see its role as providing capacity to INGOs, but is willing to support their projects where they can justify their own capacity. A small fund is available at both embassies for support of local NGOs.

The Canadian development cooperation, CIDA, has supported INGOs and LNGOs involved in the process, first of all the Canadian INGO, CECI (Canadian Centre for Interna-

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<sup>180</sup> Sida’s support to Swedish NGO’s development cooperation programs in Vietnam 1999–2001, communication from the Swedish Embassy.

<sup>181</sup> Care Denmark is moreover cooperating together with CARE international, which is supported from several other countries.

tional Studies and Cooperation), which participated actively in the PTF for one to two years. Moreover, CIDA has provided direct support to LNGOs, including LERES, a legal advocacy group also represented in the Poverty Task Force. CIDA considers in spite of the support organisations like LERES as a quasi-NGO, because of its close links to the government.

Dutch Development Cooperation has maintained a relatively low profile in Vietnam, but it gives substantial support to INGOs, including SNV (Netherlands Development Organisation), Cordaid and ICCO (Interchurch Organisation for Development Cooperation). The latter organisations are different from other INGOs in that they have no staff or office in Vietnam and only work through channelling support to LNGOs or in some cases the local administration.

The UK also differs from the other donors with respect to INGO support and cooperation. The UK has a tradition of strong INGOs with considerable support from civil society in Britain. However, the support from British development cooperation, DfID, has also increased. DfID policy changed several years ago, and most support is today coordinated in the UK. All the three INGOs involved in the first PPAs related to *Attacking Poverty* were British based, and funding for the PPA was provided partly from a DfID-supported fund. In the second round of PPAs related to the I-PRSP, the US-based Catholic Relief Service and PLAN International (a UK-based INGO) became engaged. Clearly, British INGOs have had very close cooperation with DfID in the Partnership Process, and DfID has provided the World Bank, as mentioned, with the intellectual capacity that was used to develop the “livelihoods approaches” employed in the PPA. It seems reasonable to talk about an informal alliance between the British (and Anglo-Saxon) INGOs and British development cooperation, which appears to be the closest and best coordinated of any country’s. This fact is supported by institutional factors of cooperation on both donor and INGO side, flexible structure and the policy-oriented focus of DfID through employment of persons with particular skills and training, and traditions of various organisations in policy thinking, lobbying and advocacy training. There is also an important factor of leadership and networking, combined with considerable overlap of personalities, who move seamlessly from employment in one institution to another. Oxfam UK has been one of the most persistent organisations in the PTF and also a leader in the Poverty Policy Learning Group, the INGO network that supports the CPRGS process.

## **INGO cooperation**

### Cooperation with donors

The INGOs did not hesitate to join the process when the partnership group of the government, donors and INGOs, the Poverty Working Group (PWG), was established in 1998. There

were no strong voices against participation; rather, it was generally seen as a positive opportunity. Notably, the INGOs have not raised criticism about the PRSP processes in Vietnam, or at least not to the same degree as in many other countries, where the role of the World Bank and IMF has been much criticised. Some, like Oxfam HK, were initially hesitant to join the process, but later went ahead. The INGOs have participated actively in Poverty Task Force (PTF), and contributed directly through the Participatory Poverty Assessments (PPAs), through which they have had an important influence. None appear to have raised a particularly critical voice in the PTF other than giving comments in the process. The PWG became less influential after the *Attacking Poverty* presentation in December 1999. In the meetings in 2001 and 2002, the NGO Resource Centre was mainly represented (except for the large meetings in Sapa in 2000 and Haiphong 2002).

Certain INGOs in the core group in the Partnership Process were, in principle, critical of a process that they found excessively top-down. They did not want to replace the national NGOs in the PTF. Among the comments raised in our interviews were the following:

“The national NGOs are weak and we felt there were not enough structures invited from Vietnam. We did not want to replace the voice of Vietnam. We were very concerned and careful not to express the views on behalf of the Vietnamese NGOs.”

“The local NGOs are scared, have limited influence and capacity.”

“We would have liked a bottom-up approach, not like that top-down initiative.”

Such criticism can be heard today informally from the INGOs, but was not brought up in the fast-paced process of the PTF, which was engaged in larger issues. INGOs were invited on the invitation of the World Bank, more as individuals than as organisations or networks.

Other INGOs, not part of the PTF, mainly opted to stay out or in the periphery of the process, because they lacked the resources to take part in an exercise that demanded such depth of human resources. Instead, they preferred to concentrate on their sector-oriented programmes, where they could spend their time productively. Further, most of their funding was earmarked to specific programs and not to policy work. They did take part in the discussions in the INGO networks and the partnership groups. Besides being incredibly time consuming at the central level and at the local level in implementing the PPAs, some of the environmental NGOs were dissatisfied with the contents of the CPRGS in relation to the environment and reproductive health, two of the obviously weak parts of the strategy.

## Cooperation with LNGOs and CBOs

The cooperation between INGOs and the LNGOs is a controversial area. In fact the cooperation between the two types of organisations seems to be fairly limited. The main interface between the INGOs and the grassroots are going either through mass organisations or through local administrations. Few contacts are established through other channels, except for the involvement of a handful of LNGOs, mainly research institutes. In many projects, it would be reasonable to cooperate with the local administration and mass organisations, supplementing their competence. They have the local knowledge and contacts in the localities, and at the same time they have a genuine interest in poverty alleviation. The alternatives to making contacts with non-state organisations were not viable earlier simply because such organisations did not exist in the localities. Working with other contacts and organisations has only recently been encouraged. This is part of the often-mentioned “lack of legal framework.” It was neither forbidden nor permitted. Now, new types of NGOs and community-based organisations (CBOs) have begun to emerge in many areas. Credit and water-user groups are some of the new types. In some cases, the new NGOs are not well recognised by the INGOs, partly because they are not the vibrant, verbal and strong partners that the INGOs need to ensure results in poverty alleviation, which can bring them continued flow of projects and incomes they need.<sup>182</sup> However, to be fair, there are also examples of support from INGOs to set up new groups.

In Fowler’s (2000) theoretical frame, the INGOs often work as “social entrepreneurs” rather than “civic innovators.” As mentioned in Chapter 2, the “social entrepreneur” according to Fowler is a Non-Governmental Development Organisation (NGDO) with the task of generating value-added, rather than reform. The NGDO does not produce a social benefit, but rather services – a tendency he says is due in part to increased dependence on tax funding and donor support. NGDOs work for clients with needs, rather than constituencies with interests. He has even gone so far (ibid. p. 643.) as to characterise NGDOs as “acting as conspirators, rather than partners, in a questionable approach to development and to promoting the interest of (poor and excluded) civic groups.” Fowler’s conclusions are quite far-fetched and do not address the specific Vietnamese context. In fact, the situation could arguably be

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<sup>182</sup> Dang and Nghiem 2001a, p. 19. No LNGOs were involved in the PPA (Shanks and Turk 2002b, p. 11). This implies that the general in cooperation between INGOs and LNGO is weak. There is some cooperation between INGOs and LNGOs, like in the case of Rural Development Service Centre (RDSC), and also an awakening interest in working with new emerging organisations. Perhaps this cooperation is greater than the documentation shows, as such cooperation is sensitive. (Pedersen 2002, p. 58).

the reverse, e.g., that the INGO perceives the government as genuinely pro-poor, unlike many governments in the developing world, and the non-state sector might be seen as less necessary as a “civic innovator.” However, most INGO projects have the tendency of being service-providing and “social entrepreneurial,” rather than creating reform, as Fowler argues. This is, in fact, also the case for most LNGOs and CBOs.

Even if the government’s pro-poor attitude is partly due to a historical and ideological legacy, the difficulties of governance today are little different for Vietnamese society than for most countries undergoing rapid transformations. Corruption is widespread, both at the central and the local level. The government is beginning to acknowledge this change with the obviously weak, but expanding non-state sector. Although it seems that the government is still biased on the question of LNGOs and other CBOs, the new planned legislation includes a law on organisations, indicating at least trial acceptance of the emergence of a new type of non-state sector in Vietnam. It specifically acknowledges the service-providing LNGOs or CBOs, because it cannot tackle all the new problems occurring at community level. The foreign donors, particularly the bilateral and the INGOs, have long called for a more vibrant civil society in principle, but not – as of yet – fully accepted Vietnam’s embryonic existing civil society, because it is not, in their view, a true civil society in the Western sense.

### Networks among INGOs

Because of the specific political culture and traditions in Vietnam, the INGOs have had a more limited scope for expansion than in many countries, and the mutual acceptance between government and INGOs has been a necessity for the INGOs wanting to operate in Vietnam. The government only opened up for broad acceptance of INGOs after the basic reforms were in place around 1990. Today about 500 INGOs have registered with PACCOM (The People’s Aid Coordinating Committee, established in 1989), the state agency for coordination of INGO operations.<sup>183</sup> The aid portfolio of the INGOs in 2001 was more than USD 84 million, making cumulative INGO support at least equal to the fifth largest ODA donor in Vietnam (Table 2). Against this substantial amount of funding, the INGO sector is weakly organised. Many prefer to work with their own international networks or relations to their country of origin, and only few organisations care or believe they have the resources to use extensively the networks such as the NGO Resource Centre (NRC) and the connected multiple topical networks. For their part,

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<sup>183</sup> VUFO-NGO Resource Centre, Vietnam. INGO Directory 2002–2003, Hanoi 2002.

**Table 3. INGO profiles in Vietnam**

	Budget 2002 USD	Expatriate staff	Local staff
Oxfam GB	1,700,000	4	25
Oxfam Quebec	480,000	5	7
Oxfam HK	1,150,000	1	11
Action Aid	2,353,181	1	59
Save The Children, UK	1,098,000	2	30
Save the Children, Sweden	1,000,000	3	14
Catholic Relief Service, US	2,500,000	2	21
Care International	3,000,000	6	47
CECI, Canadian Centre for International Studies and Cooperation	700,000	2 + 7 volunteers	29
PLAN UK	5,000,000	2	100
SNV, Netherlands Development Organisation	3,300,000	14	40
ICCO, Interchurch Organisation for Development Cooperation	2,200,000	0	0

Source: NGO Resource Centre, INGO Directory 2002–2003

the NRC and the networks may be unable to provide enough facilities and benefits for INGOs to invest the time for participation, and they should consider the perspective of the political culture in Vietnam, which does not encourage such activities. The networks have improved since the establishment of the NRC in 1991, and today enjoys Internet access, a library and increased acceptance by the government. On the other hand, the Poverty Policy Learning Group, the NGO-network established in June 1999 to match the partnership process, had to add “poverty” to its title to be accepted as an institution, which shows the obstacles to INGOs still apply.

### Capacity and networks to take part in the PTF

Only a few organisations have had the interest and capacity to participate in the partnership dialogue and act as spearheads for the PPA. The World Bank wanted originally to include seven PPA sites for its *Attacking Poverty* assessment, but only three organizations had the capacity to implement the large-scale participatory studies (and even those stretched their capacity). Five organisations were involved in the second round of PPAs. The motivation for involving themselves includes moreover a wish to influence the national policy process and to demonstrate new approaches.<sup>184</sup> Four of the five organisations were British and the last US-based, a clear result of the Anglo-Saxon traditions for large-scale INGO intervention and

<sup>184</sup> It was a welcome learning process for the INGOs and constituencies involved (Shanks and Turk 2002b p. 9–10, 49).

experience in policy/advocacy-oriented research. The PPAs may well bear evidence of “civic innovation” more than projects involved in “social entrepreneurship,” which, in Fowler’s definition, mainly means extending services that the state cannot provide. However, the World Bank, besides being supportive, definitely used the PPAs experience for its own purposes. The INGOs were chosen not because they were INGOs, but because they could – at least in some way – provide the commodity needed. An alliance between the World Bank, the British DfID, and the British INGOs appears to be the strength of the transnational side of the partnership. They all wanted to have an impact on policy in Vietnam, and had strong networks to each other at the institutional as well as the personal level.

While many INGOs claim they had less funding and available human capacity than the Anglo-Saxon INGOs, the budgets for the PPAs organising INGOs were not particularly large or any larger than the other INGOs (Table 3). The important difference is that they are more geared towards policy and advocacy than most other INGOs, particularly Oxfam, which has developed its policy skills over a long time. When the considerably larger Dutch organisation (SNV) was not voted into the PTF, which would have conformed to the informal rules, it was obviously a result of the strong networks among the policy-oriented Anglo-Saxon INGOs. For many, it was probably also out of respect for the work of the lead INGO organisation, and the wish to let it continue.

## 8 Conclusions and reflections

The analyses of the impact of the process connected with the formulation of the PRSP in Vietnam show a fairly complicated system of relations among the mutual players on the stage. No doubt, the process has had an impact on the various institutions involved; it provided an opening, a space, for processes of potential long-term effect. The real process of implementation in the provinces has just begun, however, and the strategy was only revealed in its present form at the provincial level during summer 2003. It is thus still too early to see tangible results from the CPRGS. There is also the possibility that there will be little long-lasting impact beyond talk at the government level.

The process started when the World Bank massively entered the scene in Vietnam in 1998 with new flexible concepts of the CDF and poverty orientation. The first round was completed with the approval of the government's final CPRGS in May 2002. The process must still be seen as the interaction of two cultures and, to a large extent, taking place on two tracks. On one track, we have the development goals of the multilateral and bilateral donors formulated in modern development vocabulary. On the other, there is a national political culture guided by the Marxist-Leninist development thinking of the party and government, anchored in a fairly specific culture of consensus governance.

From a donor perspective, the process has been successful. The government outlined the CPRGS itself and it was the first PRSP signed in Asia. The CPRGS basically meets the criteria for CDF, and at least leans in that direction. It is a comprehensive strategy, a holistic approach that benefits the poor and includes a long-term orientation towards poverty reduction. It is a process led by the country and is country-owned. It is a participatory process of decision-making and local consultancy and promotes improvement in aid relations. The World Bank and IMF have now committed substantial loans to the government, and the government feels they have succeeded in obtaining the capital needed for development of the country.

In May 2003, the World Bank and DfID announced their support for a new USD 54 million program for reform of Vietnam's Public Financial System. It should be remembered that considerable goodwill on the part of the World Bank's Board and the IMF was involved in the approval of the CPRGS. It shows satisfaction with the government's "ownership" of the process more than with the actual formulation and results, particularly in the area of financial management. The recent mixed credit and grants is purported to support the goal of "good governance in the CPRGS" by bringing order to the financial system, including better planning of the State Budget and Public Investment Program. The program consists of three components to support mainstreaming of the financial decisions and flows, and will be implemented by the Ministry of Finance:

- Implementation of an integrated treasury and budget management information system, including hardware, software, training and change of management.
- Strengthening of the central budget function to support the Medium-term Fiscal Framework.
- Reducing Vietnam's public debt and the fiscal risks from SOEs.<sup>185</sup>

This program also suggests that the Ministry of Finance take a serious role in allocation and supervision of finances, rather than simply allowing cash to pass according to the plans of the Ministry of Planning and Investment (MPI) as was the case earlier. Of course, redundant planning agencies may not make sense, so the one channelling the money could also become the planning institution on site as in most countries. The Ministry of Finance will most probably gain increasing importance in the future cooperation.

The new phases of the implementation – the role-out – of the CPRGS are beginning. A steering committee, headed by Deputy Prime Minister Nguyen Tan Dung, was established by a decree of the prime minister in September 2002 for the implementation of both the CPRGS and the two credit facilities from the World Bank and the IMF (the Poverty Reduction and Growth Facility and the Poverty Reduction Support Credit). The committee consists of a chairman, two vice chairmen, representatives from 14 ministries, and six offices and organisations, including the party and the Women's Union. It is also supported by two inter-ministerial groups.<sup>186</sup> Moreover, a secretariat has been set up to take charge of daily activities. The leadership is now considerably higher-ranking than it

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<sup>185</sup> Governance-vn list, information from the World Bank, May 23, 2003.

<sup>186</sup> Decision of the Prime Minister, Government No. 825/QĐ-TTg, September 20, 2002.

was when the CPRGS was outlined under the guidance of the MPI's Department Deputy Director.

In a wider perspective, this appears an almost schizophrenic handling of donor relations. On the one hand, the budgets do not clearly reflect the poverty orientation of the CPRGS (see below about budget discrepancies). On the other hand, the institutional framework for implementation is an elevated, or “upgraded,” version of the framework used in the formulation process.

## **State and Party**

The Vietnamese state clearly had an interest in meeting the criteria for lending from the World Bank and the IMF. The central issue for this study is, however, the political impact of the process on the political configuration in Vietnam, and this is a different story.

The strengths and the weaknesses of Vietnamese governance are embedded in its consensus approach to governing. On one hand, it secures a more coherent bureaucracy from one level to another with respect to policy formulation, because the party one way or another makes sure that the general guidelines are known and followed throughout the system. This process is more inclusive in the discussions at various levels, and to some extent more concerned about the plight of poor people than in many other countries. On the other hand, dissatisfaction at the grassroots level is a real challenge for the party and government. When people openly express disapproval, concessions are typically granted to cool down the situation. The Achilles heal of consensus governance is that it is mainly a top-down system that gives new forces in society little space for operating. It is not participatory in the Western sense. Arguably, the Grassroots Democracy Decree of 1998 promoted accountability at local level, and more broadly, the *doi moi* reforms and the opening to the West during the 1990s led to substantial changes in society and to a maturing process that tolerates new economic and administrative trends and lays the groundwork for further gradual reforms.

The study shows that the process of formulating the CPRGS – and the previous plans leading up to it – altered power relations in the top management hierarchy. The Ministry of Labour, Invalids and Social Affairs, was initially responsible for the Poverty Reduction Plans. However, since the beginning of the outlining of the Interim PRSP (I-PRSP), the MPI has driven the planning process. Now we see the Ministry of Finance emerging as a major influence. These changes may also indicate the technocratisation and up-scaling of the process. We see hand-offs from socially experienced institutions to planning institutions and ultimately economists at the Ministry of Finance. Moreover, the “politically” formulated

plans of the party have been streamlined as much as possible in the process of partnership discussions to fit a more technocratic approach to planning.

At the central level, the planning of development and development cooperation has mainly been in the hands of MPI, but the budget mechanism is becoming increasingly decisive for how the money is allocated. Substantial differences seem to exist between the suggestions in the CPRGS and the Public Investment Plan 2001–2005 (PIP). The PIP, like the CPRGS, was prepared by the MPI after the approval of the CPRGS in May 2002. The inconsistencies indicate differences within Vietnamese organisations. According to the total investment in CPRGS projection (from all sources), 44 percent will go to industry and construction, which does not look much different from earlier plans (43 percent in the period 1996–2000). Notably, education and training, health and social affairs, and culture, information and sports receive together 7.4 percent (up from 5.5 percent in the earlier plans). In the PIP, the share for the three budgets will, however, increase to 10.2 percent – a substantial increase of the social budgets.<sup>191</sup> Aside from the greater emphasis on education/training and health, the reflections of the poverty orientation are not so clear at the general budget level. So which of the guidelines will be followed?

Other ministries besides MPI and MoLISA were involved, particularly MARD (Ministry of Agriculture and Rural Development), and the Ministry of Education and Ministry of Health, but they were much less engaged in the process than the others. Interviews with persons from the various ministries and other institutions show that those who were involved in the process directly tended to take it much more seriously than those who were peripherally engaged. The latter did not find the process important at all. It is not possible to give a final answer concerning whether the CPRGS is just meant as a showpiece to the donors in order to get the funding needed for Vietnam's development, or if it is merely being used by certain actors in the management structure to push a reform agenda.

It is also difficult to say what exactly the role of the party has been in the process. By using the five-year plan and the ten-year strategy as the point of departure for the CPRGS, the party was fundamentally involved in the process and so far seems to give endorsement to the process. The National Assembly has approved the government plans, which in principle legitimises the CPRGS in the Vietnamese system, where the CPRGS only needs approval of the prime minister, and not ratification by the National Assembly. That is obviously a bigger problem for the donors than for the Vietnamese system, but it means of course that the

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<sup>187</sup> Public Investment Program 2002, p. 25.

CPRGS is much less known to both the deputies of the National Assembly and to the public in Vietnam. Approval in the National Assembly would have meant much more publicity, media attention and discussions, but it would likely have also drawn the process out for several years more. The media have paid little attention to the CPRGS, which is usually mentioned as “another plan.”

In spite of the conventional growth-with-equity orientation in the core ideology of the CPRGS, it also includes a new focus in other areas. The new vocabulary includes an approach where the state is no longer the sole provider of economic and social facilities. On one hand, the poverty language penetrates the thinking and the emphasis on poverty alleviation through state programs and support is emphasised more than in the plans of the party. On the other hand, the neo-liberal approach is introduced with the emphasis that people have to “take their own initiatives in improving their situation in order to overcome poverty.”

The CPRGS also introduced new processes unknown earlier, including the idea of bottom-up process in the outlining of the plan (PPAs and consultations with local constituencies), which, while not being fully participatory, represent a new approach for Vietnam. Of course, while novel, the PPAs, the consultations and the entire process of outlining development goals and criteria cannot really be seen as a bottom-up process, because everything was planned at the centre.

Those who gained most influence in the Partnership Process are perhaps the technocratically oriented staff in core ministries and institutions. They constitute a growing group of well-educated people, some with a good command of English who have internalised the new development vocabulary. They take part directly in negotiations with foreign donors and experts. On the other hand, this tendency also works to increase the gap between central management and the provinces.

At the provincial level, administrative capacity, economic abilities and leadership skills differ considerably, and implementation can only be expected to be a very unequal process. The CPRGS is far too complicated to be adopted as it is. For many, if not most, people in the localities, the deeper implications of the CPRGS might not be properly understood, and the goals too multiple and budget demanding to be implemented. The targets outlined are excessive and difficult to obtain without more concrete knowledge and plans on how to do it. On the other hand, many of the goals and ideas are included in the existing strategies of the party and government, and it can be argued that some of the CPRGS measures will be implemented anyway, but not because of the strategy. There might also be reverse effects. Decentralisation of the public administration may lead to greater autonomy from the central

budget, but it will most likely lead to larger inequalities between economically stronger and weaker provinces. Most of the provinces do not have enough resources to invest in more than the basic expenses, if resources are not allocated from the centre. Moreover, there is no link between rate of corruption and level of management, i.e., province versus centre.

The majority of Vietnamese interviewed with knowledge of the localities are most sceptical about introducing the CPRGS at provincial and lower levels, because of lack of ability to manage it, and due to the lack of funding to implement the many policies. This also implies that they were somewhat concerned with the other more negative effects of the plan outside the main purpose of obtaining loans.

That said, the process inside the bureaucracy, at the local level in the provinces where the PPAs and consultations took place, and at the centre, with the setting up of the Poverty Working Group and the Poverty Task Force with members from Government, donors and international NGOs (INGOs) and even to some extent local NGOs (LNGOs), were new and innovative procedures in Vietnam. These innovations have had quite an impact, because it came at the right time and the right place. The process led to much greater openness and to discussions outside the usual closed ministries and largely bilateral negotiations. And it certainly opened space for the INGOs to take part in the negotiations about the strategy. But the process was not open for the general public, and the media have not felt the need or been encouraged to report widely about it.

There are conflicting opinions in the bureaucracy about the usefulness of the process. First of all, it seemed to gain in importance and acceptance in the core circles of the ministries in the course of the process, because it was found useful for the purpose of developing the rather archaic and inefficient Vietnamese system. A technocrat is not afraid of reforms if they make the system more efficient and if he/she does not lose influence or power in the process. Is it harder to say how the Party perceived the process, but there is probably the belief that the two tracks – Vietnamese and donor – will continue more or less as they have, but that the government shall continue shopping for opportunities and useful models from the donors. At the provincial level, the local bureaucracy is more reluctant to the changes of reforms like the public administrative reform, because it tends to reduce its influence.

The review of the process and the documents show that there are substantial changes introduced through the process and there are clear quantitative goals (Millennium Development Goals in modified version) as “conditionalities” built into the process, if funding is to be provided by the donors. On the other hand, it has not been easy to identify systems to monitoring the programs more detailed, in spite of much discussion about monitoring.

The more traditional type of conditionality is rather to be found in relations to the Poverty Reduction Support Credit, with processes and documents not accessible for the public. But the strongest tool of the strategy could be the thinking in terms of development and poverty reduction, where the vocabulary and the planning mechanisms might be more forceful than realised by the government. The principal opening for more participatory processes, the endorsement of the Grassroots Democracy Decree, and the notice of the participation of civil society and community organisations might lead to new processes, even if the basic system is not changed.

New ideas of the state supporting an enabling environment to help the poor to find solutions to improve their own situation is a step away from the traditional thinking that the state has to be the force driving the changes. These new ideas largely reflect a neo-liberal approach. The reality at the village level today in Vietnam is that it is no longer state-led, and changes rely to a large extent on people's own initiatives to improve their livelihood through integration with the market. At the same time, this change leaves more space for the mass organisations and new types of community-based organisations.

## **Donors**

Among the donors, there can be no doubt that the World Bank was the leading agency behind the CPRGS. The situation was ripe for new initiatives when the CDF was endorsed at the highest levels in the Bank, the staff was decentralised from Washington to the major program countries, and the new country director – accompanied by his staff – was able to initiate the process. Important driving forces for the Bank and the IMF included the willingness to lend money as the country had the apparent potential to repay its loans, as well as achieve at least some of the goals of development and poverty alleviation set up as the targets. Successes for the World Bank have also been important in the international arena for justifying continued operations. The question of who actually drove the strict timing of implementing the various plans is complex, because both the government and the World Bank had motivation to push through the plans rapidly. What is notable is that the endorsement of the CPRGS was accomplished before the country director and some other core staff finished their tours of duty with the task completed. The government, the Bank and the IMF all seemed equally eager to get the loan process completed as quickly as possible. The speed of the process, in spite of the fairly long time from the start to the end, was too fast-paced for most donors to keep up with, and for many central institutions to be properly included. Local institutions were left out completely.

In retrospect, however, the process was extremely well managed by the Bank. The establishment of the Poverty Working Group (PWG) and Poverty Task Force (PTF) was heavily influenced by the World Bank, and nobody wanted to be excluded from the new dynamic process. Almost nobody complained about the new set-up of the tripartite committee consisting of government, donors and INGOs. Only the LNGOs had difficulties being accepted by the government. The Bank followed the processes down to the grassroots level in the PPAs and household surveys and made sure the results translated into public material to return to the process. When bottlenecks were found, such as a lack of capacity in core ministries, capacity building and information programs were introduced, mainly funded or initiated by the Bank.

The World Bank is a winner in the CPRGS process and has established itself as one of the government's preferred partners. The government and the World Bank seem to agree on large-scale projects implemented by local governments with little interference in the management of the funds. This raises some questions of accountability of funding, but might lead to an indirect alliance with some of the provinces that benefit from the large-scale programs. The World Bank could more easily introduce the broad-based organisational arrangement with donors, government and INGOs together than any other institution. The Bank even invited LNGOs to take part. The lead of the World Bank did open some space for local actors, mainly at the central level in the cities, but even to some extent in the participatory processes in the rural areas.

The other multilaterals have had different reactions to the process, but they all adhered to it. The more strict financial institution, IMF, has been less approving of the Bank's policy. Asian Development Bank which began funding Vietnam fairly late changed its policy from mainly infrastructural programs to "human development" and "poverty orientation." Japan, as the main bilateral donor, also modified its development language, and began to accommodate to the "poverty language".

Even if "poverty language" came to dominate, it is still questionable if the differences with respect to the former policies of the World Bank and other multilateral donors are fundamental. One of the weak spots is that "poverty" and "poor" can apply to most of the population in a poor country, and easily becomes a buzzword without deep meaning in relation to different social classes or even social groups. However, there seems to be general agreement between the Marxist-Leninist approach and the neo-liberal, that as long as growth continues, the basis for poverty alleviation is also present.

Other donors might be somewhat diversified and sceptical. UNDP has lost much of its former core role as donor organiser in Vietnam. Some of the bilateral donors that have

worked for a long time in Vietnam and acquired considerable experience saw some of their concepts taken over by the Bank, and a new type of competition for projects and programs was accentuated. Surely the World Bank has created animosity in the bilateral circles (and UNDP) because of this, but, on the other hand, it was difficult not to follow the process as it had implications for all partners. The CPRGS process also put pressure on the donors to better coordinate their development cooperation. In some respects this has happened, but the donors are basically competitors, and all must refer to different national agendas, political realities and accounting systems. Moreover, donors work differently, so there is no deep wish among donors or government to achieve full harmonisation. The process has nevertheless led to better knowledge of each others' programs and projects, and there have been a number of attempts to set up common funding of programs, particularly among some of the "like-minded" donors.

The bilateral donors are not overtly optimistic about the result of the CPRGS itself, and point to its obvious deficiencies. Some of them know the Vietnamese society more deeply than do the large multilateral donors, because their projects are linked more closely to the localities and they are aware of the shortcomings there. The multilateral – and some of the bilateral – donors generally finance large projects implemented by other agencies. One of the weak points, in the bilateral donors' view, is the probable lack or not very clear prospects for a more open society, something that has not particularly troubled the World Bank or the IMF.

DfID, the British Development Agency, was an exception in that it cooperated very directly with the World Bank in outlining ideas for the poverty operation, including the Poverty Assessments. It provided both staff and funding for several of the assessments and made it operational in the frame of the Bank. DfID took one of the leading roles in the Poverty Task Force.

### **Non-state actors**

If any single group has increased its influence during the Partnership Process, it is the INGOs, which are simultaneously donors and part of the non-state sector. For the first time ever, they have gained an equal footing with the large donors and the government. They were even invited to show their ability to integrate the voices of the poorest through participatory exercises. This recognition had an important impact on both donors and the government. In fact, only a select few INGOs possess the depth, professionalism and experience to participate effectively in discussions and make participatory assessments. The British INGOs were obvi-

ously among those that could play a significant role at the discussion table and in the field. These leading INGOs were all trained in the Anglo-Saxon traditions of advocacy and policy work, and were funded by agencies such as DfID. When it comes to the broader macro-oriented policies of the CPRGS, the INGOs have had less impact and influence. Nevertheless, their presence has helped legitimise the process, perhaps more than predicted. The biggest gainer in the Partnership Process was the de facto Anglo-Saxon alliance between the donors, e.g., the World Bank and DfID, and the British INGOs.

INGOs have to register with PACCOM, the government organisation set up to handle INGO development projects. As long as INGOs operate within the frame of funding agencies and development organisations, they have been given fairly free hands to work. Presently, they enjoy relaxed cooperation with the government, which appreciates the considerable funding and local support where the government cannot handle the many new social problems in the local communities.

Few LNGOs have benefited directly from the process, but space was opened for their direct or indirect participation in the PWG and PTF. Most LNGOs were reluctant to participate because of their limited capabilities and lack of recognition by the state. Moreover, some LNGOs preferred to talk through INGOs. The LNGOs are not considered real NGOs in the sense of dynamic, innovative civic society, and obviously there are also barriers on what both INGOs and LNGOs can do to maintain a stable relationship with the government. INGOs often prefer to work with the more professional mass organisations such as the Women's Union, or local authorities. Nevertheless, the space has been enlarged considerably since the *doi moi* reforms. One of the local organisations winning from the CPRGS is the Women's Union, which was invited to take part in most of the process and now has a seat in the new CPRGS Steering Committee. The Women's Union is an example of a mass organization that has been transformed into a semi-autonomous organisation with operations all over the country. It has grown from a small low-budget mass organisation, dependent on the state, to a versatile body that receives considerable support from INGOs and other donors. It is probably a more legitimate social organisation than most mass organisations, and it has taken up new activities such as organising businesswomen, much like some large NGOs promote women's issues in for instance India.

Seen in the larger perspective, the political space for the non-state sector was created with the *doi moi* reforms and expanded in the mid-1990s. This is not due to the CPRGS process itself. The CRPGS process has opened a space for INGOs, and to a lesser degree LNGOs, acting as catalyst to break down traditional barriers a little further. If the trends in Vietnam-

ese society can be seen as moving towards greater democracy and openness, it is generally due to globalisation processes. “Democracy” and new ways of thinking may be more the cause of the space opened up for LNGOs and INGOs than the result of their efforts.

The impacts of the CPRGS/PRSP process on the political space in Vietnam may only be transient. Compared to many other societies, Vietnam’s strong political culture in Vietnam cannot be easily conquered by transnational development organisations at central or regional levels. The forced slow penetration in the society of new ideas and procedures is probably a national strength, even if there is a common interest in renewing the system. The process could ultimately even enhance participatory society at the grassroots level.

### **Comparative perspectives**

The study took as its point of departure a theoretical division of society according to the public policy arenas of the state, the donors and the non-state actors. This division helped identify the relevant sectors in Vietnam in relation to the CPRGS process, especially the core actors from each sector, i.e. the MPI for the government, the World Bank for the donors and the INGOs for the non-state sector. While new actors were empowered in the process of formulating the CPRGS, Vietnamese political culture was also found to distinguish less between public and non-public actors than in many countries.

In the policy arena, the non-state sector consists mainly of the INGOs, LNGOs and CBOs. The INGOs are simultaneously non-state actors and donors. The LNGOs include mass organisations that are state sponsored and semi-non-state organisations. Quasi-LNGOs, mainly set up by personalities from the administration, are also more common than in most countries. CBOs are newcomers to the arena, and still very embryonic. Even as the non-state sector increases its importance in the political arena, it remains relatively weak compared to other countries. The private (business) sector is thinly represented in the policy arena by a few business organisations. More organisations are getting involved, but it is unclear to what degree they are private or public. In the long run, the Partnership Process supported by the CPRGS militates for further equitisation of SOEs, strengthening of the non-state business sector and a new role for the state. The state, in turn, has responded by inventing new management mechanisms. The foreign companies are adding an important economic factor in the country though still an indirect player in policy. Their influence is certainly on the increase.

It was raised as an issue in the Vietnamese case that local administrations, to some extent, work independently from the central administration and in that sense has a leg in the

non-state sector. It is nevertheless difficult to argue sincerely that the local administration is “non-state” or “civil society.” It merely shows another case of a blurred division between state and non-state.

Which actors are actually concerned about poverty and poverty reduction? Resolving this question, which clearly demands further research at the local level, also depends on the chosen theoretical approach. The findings from Tanzania suggest that the non-state local political forces been pushed out of the process, while the central government, the donors and local leaders have skimmed the cream from the donor programs. Whether this is tantamount to corruption is hard to say, but certainly such behaviour is not focused on the welfare of the people that need help the most. From a Vietnamese perspective, there have been instances of corruption as the result of increasing donor funding and private investment, but generally speaking, poverty has been reduced so substantially that programs and projects have provided a net benefit to the poor.

Have the poorest benefited, however? The answer, based on a number of other studies seems to indicate that the poorest have benefited less than the medium and better-off groups. Even when programs purport to help the poorest, their impacts tend to be more general. One species of severe poverty is regional, i.e., the poorest groups in Vietnam are found in certain regions, mainly the highlands. The second type of extreme poverty covers all ethnic minorities, but extreme poverty can moreover be found in any community due to increased social differentiation. These persons face greater obstacles to escaping poverty than households that can exploit the country’s new infrastructure and market access.

Vietnam, like many countries, faces a situation where the rich could become richer. However, from a comparative perspective, complete indigence appears rarer than in many countries. This reflects a political culture that is fairly inclusive at the grassroots level, and is due in part to legacy of party-instilled equity and in spite of local variations.

Although in theory and sometimes in reality, corruption harms the poor and the poorest, it is hard to identify its link to a specific type of body or organisation or to a particular administrative level. The phenomenon seems to be notorious all over. It may well be that corruption in various types of organisation and at different levels is countered by the forces of consensus governance and the country’s multi-polar system.

Does the CPRGS affect the political configuration at the local level and the forces seeking to reduce poverty? Does it create new links and alliances between the central and local level? While it is too early to give a definitive judgement, the process pushes in the same direction as earlier reforms, following the lines of *doi moi* reforms and donor cooperation,

but new groups and types of people benefit. Some groups have been empowered, some are getting rich and others are excluded. With increased development cooperation through budget support and sector support, there is also scope for new alliances within the system.

In comparison with other PRSP processes, this study raises a number of issues. Did the process in Vietnam become depoliticised due to the transnationalising process like in Tanzania and Honduras? Vietnam's political configuration is obviously so different that it is difficult to talk about depoliticising as such. Party policy does not acknowledge a society divided into classes of rich and poor, but since the introduction of *doi moi*, society has come to accept that some people are poorer than others. However, during the CPRGS process, planners internalised the dominant development jargon on poverty reduction and neo-liberal ideas gained at least tacit acceptance. Whether such views translate into in practice is to be seen as they have yet to penetrate beyond core circles. There is no evidence, for example, that such views had any influence on national policy documents like the five-year plan and the ten-year strategy. The two-track policies of the donors and the government, also at the local level, still dominate. While "poverty language" has made inroads, development plans are still discussed with the traditional jargon, making it difficult to talk about crowding out of social actors or deconstruct policy concepts such as "employment" and "development through industrialisation," which are still core themes of the party and government.

More than in any of the other countries of the comparative study, Vietnam's political culture with the dominant communist party in power encapsulate the Partnership Process, where ideas only to a limited extent have been transformed into the language of the general policies of the state and party. This may limit the opening of the political space, initiated by the CPRGS process, for non-governmental organisations. However, as we argued above, the process has also triggered numerous unintended processes that could influence the system. The opening up of the Vietnamese economy and society to the surrounding world has brought many new challenges and opportunities that will require the active participation of the government, the donors and the non-state sector.

Our final comment concerns the term "post-developmental state," which is used much more in the other country cases. In light of the above arguments, it would be unreasonable to talk about a post-developmental state in Vietnam. The main emphasis on the economic development and the productive sectors continues to dominate, and arguably over-dominate, the discussion.

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# Interviews

## CPRGS impact in Vietnam, April-June 2003

Organisation	Name, position
World Bank	Carrie Turk
MoLISA	Not to be named
CIEM	Dr Pham Lan Huong, Policy Analysis and Development Research
Action Aid	Pham Van Ngoc, Program Officer, Ramesh Jung Khadka, Country Director, At Poverty Planning Learning Group meeting
Care Denmark	Jens Rydder, phone
Care International	Brian Doolan
Save the Children Sweden (Rädda Barnen)	Dau Hoan Do, Country officer Britta Östrom, Representative SEA
Oxfam UK	Mandy Woodhouse at PPLG meeting
Women's Union	Ms. Cao Hong Van, Head of Family and Social Affairs Department
Save the Children UK	At PPLG meeting Bill Todd
Ministry of Finance	Not to be named
UNDP	Nguyen Tien Dung Programme Officer Governance and Public Policy Reform Unit
Embassy of Sweden	Karl-Anders Larsson, Counsellor; Nguyen Quang Ngoc, National Programme Officer; Kristine Johansson, NGOs and Human Rights and Democracy; Rolf Samuelsson, Head of Environmental Department
Embassy of Finland	Pekka Seppälä, Counsellor
Embassy of Denmark	Anders Baltzer Jorgensen, Counsellor
MPI	Mr. Cao Viet Sinh, Deputy Director of the Department for Synthesis Economic Issues
MARD	Dr. Dang Kim Son ICARD, MARD
Canada	Dean Frank Counsellor at Canadian Embassy
CIDA	
DfID	Alan Johnson, Head of Office, phone; Jane Rintoul, Senior Institutional Advisor
NGO Resource Centre	David Payne, Director
Rural Development Service Centre	Dang Ngoc Quang, Director
Young Business Association of Hanoi	Vu Tuan Cuong, Head of Public Relations Department
CECI, now	Mr. Isabeau Vilandre, Director of OC, earlier member of Poverty Task Force for CECI, phone (now Oxfam Quebec)
Japanese Embassy Development Strategy Institute	Mr. Hiroaki Fujiwara, Counsellor  Dr. Nguyen Van Thanh, Director of the Department for Human Resources and Social Affairs
National Assembly	Not to be named
Sida's Regional Advisor, Bangkok	Kristina Hedlund Thulin, Democracy and Human Rights









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