

**VIETNAM 2010:  
ENTERING THE 21<sup>ST</sup> CENTURY**

**PARTNERSHIPS FOR  
DEVELOPMENT**

**Vietnam Development Report 2001  
Consultative Group Meeting for Vietnam  
December 14-15, 2000**

## PREFACE

The Vietnam Development Report 2001 entitled “**Vietnam 2010: Entering the 21<sup>st</sup> Century**” is a three-volume set consisting of an Overview and two parts. Part I of the Report entitled “**Pillars of Development**” provides a commentary on the emerging draft Ten Year Socio-Economic Development Strategy for 2001-2010. This important document lays out the vision and the strategic directions for Vietnam during the first decade of this new millennium. It is currently in draft form and is undergoing an extensive process of consultation within the Government (at national and local levels) and the society at large. The draft will be presented to donors and discussed at the “Millennial Consultative Group Meeting” in December 2000. Part I of this Report aims to guide these discussions. It has been written by the World Bank in partnership with ADB and the UN System.

Part I of the Report comments on the comprehensive development agenda laid out for the next decade. It starts with a framework for rapid growth and poverty reduction and then examines the strategies required for: (i) enterprise development; (ii) rural development; (iii) human and social development; (iv) infrastructure development; (v) environmental quality; and (vi) good governance. Since the Government is formulating a long-term development agenda, it will need to take a comprehensive approach to development and tackle all these “pillars” of development. Without progress on all fronts, Vietnam will not be able to achieve the economic and social transformation that it desires. A balanced attack across all fronts does not, however, imply that everything needs to be done at once. What is needed to prioritize actions is an identification of the bottlenecks—the hard to solve problems that are impediments to success—and to begin by attacking these first. What is also needed is that the energies of all of Vietnam’s development partners are harnessed so that they are all working together in partnership to make all of Vietnam’s resources—including aid resources—more effective.

Part II of the Report entitled “**Partnerships for Development**” (this volume) addresses this theme of stronger partnerships to help the Government of Vietnam to attain its vision and implement its strategy. It brings together a series of thematic notes on Vietnam’s development strategy, prepared by the development partnership groups in Vietnam. These notes seek to describe and distil Vietnam’s goals and the steps needed to get there. They also describe how the donor community can help Vietnam in attaining its vision. The work of the development partnerships, and the production of these notes, are indicative of an important new direction in international development cooperation, both in Vietnam and in many other countries. Around the world, there is a recognition that the old ways of working have not produced the results that had been expected. The current time in Vietnam offers international partners the opportunity to actively listen to the Government’s articulation of its long-term development goals and to work together to identify and address the constraints and roadblocks that would prevent the goals being reached.

## ACKNOWLEDGEMENTS

The Vietnam Development Report 2001: **Vietnam 2010: Entering the 21<sup>st</sup> Century** is the product of team work and partnerships in Vietnam. This volume - **Partnerships for Development** (which forms Part II of the overall report), brings together contributions from many of the joint Government-donor-NGO partnership groups in Vietnam, all working together to improve the developmental impact of Vietnam's resources. It could not have been produced without the co-operation, contributions and active support of a wide range of development partners, including Government staff, donors and NGOs.

**Vietnam 2010: Entering the 21<sup>st</sup> Century** was prepared by a team led by Nisha Agrawal (World Bank). Steve Price-Thomas (World Bank) managed production of this volume, coordinated the theme notes from the Development Partnership Groups, and authored the Introduction and Overview.

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## INTRODUCTION AND OVERVIEW

### 1.1 Introduction

1. This volume brings together a series of notes on Vietnam’s development strategy, prepared by the development partnership groups in Vietnam (Box 2). Most of the groups consist of Government and donor representatives, and many also include NGOs. All of the members of these groups are committed to support Vietnam’s development efforts in their area of expertise.

2. The production of the Government’s draft strategy in autumn 2000 presented an important opportunity for the partnership groups to support the government as it seeks to move from vision to action. The Theme Notes that appear in this report are the Partnership Groups’ response to this challenge, and illustrate the extent to which groups are now working in partnership to help the development of Vietnam and the fight against poverty. These Theme Notes are structured around the four ‘key questions’ (Box 1).

#### **Box 1: The Four ‘Key Questions’**

1. *What is the long-term vision?*
  - A distillation of the Government’s vision, as found in the 10 year strategies
2. *What are the key steps needed to attain this vision?*
  - A distillation of steps in the Government’s plans, plus suggestions based on our knowledge and experience
3. *What should the role of different partners be?*
  - Who is doing what now?
  - Broadly, what assistance is required?
  - What are donors willing to support?
  - What would make ODA in this sector more effective?
4. *What are the key monitorable indicators?*

### 1.2 A new way of working to meet Vietnam’s development needs

3. The work of the development partnerships, and the production of these notes, are indicative of an important new direction in international development cooperation both in Vietnam and in many other countries.

4. Around the world there is a recognition that the old ways of working have not produced the results that had been expected. Specific problems reducing the effectiveness of ODA have included a lack of a strategic vision; gaps, duplication and high transaction costs; and a focus on inputs rather than outcomes.

## **Box 2: Partnership Groups in Vietnam**

### ***Broad Development Issues***

- Poverty Working Group
- Gender Strategy
- Environment
- Civil Society and Community Participation
- Private Sector Forum

### ***Economic Management***

- State Owned Enterprise Reform & Equitization
- Banking Reform
- Trade Reform
- Small and Medium Enterprise Development

### ***Human and Social Development***

- Basic Education
- Health

### ***Rural and Regional Development***

- Forestry and the Five Million Hectare Program
- The Partnership to Support the Poorest Communes
- Food Security
- Central Provinces Initiative to Mitigate Natural Disasters in Central Vietnam
- Participatory Provincial Partnership Tra Vinh
- Water
- Fisheries

### ***Infrastructure***

- Transport
- Ho Chi Minh City Official Development Assistance Partnership (ODAP)
- Urban Sector
- Energy

### ***Public Management and Administration***

- Public Administration Reform
- Legal Sector

### ***Strategy Development***

- Socio Economic Development Strategy (2001 - 2010) Partnership

## **1.3 The importance of a strategic vision**

5. Too often, development interventions have been undertaken with inadequate understanding of, or focus on, the broader policy and institutional context. This became dramatically evident, for example, during the East Asian financial crisis, where rapid liberalization of economic activity with inadequate attention of necessary regulatory, legal and social safeguards led to heavy costs. More simply, many donor projects have traditionally been designed with inadequate attention to the institutional and policy framework.

6. The current time in Vietnam offers international partners the opportunity to actively listen to the Government's long term development goals, and to work together to identify and address the constraints and roadblocks that would prevent the goals being reached. The preparation of

the Theme Notes in this volume represents an opportunity to move in this direction. They seek to describe and distil Vietnam’s goals and the steps required to get there.

#### **1.4 Minimizing gaps, duplication and high transaction costs**

7. Around the world there is now a good deal of evidence that international support for development has often been less effective than it could have been due to fragmentation and lack of real partnership. Lack of knowledge about what others are doing leads too often to duplication in some areas, and neglect of others. While specific development projects may be individually well designed, a failure to work as partners – with the Government and with international supporters – results in the whole being less than the sum of its parts. In Vietnam there is a recognition that transaction costs are too high, imposing a very heavy burden on Government, and there is scope for working together much more efficiently (Box 3). The Theme Notes in this volume, and the ongoing process through which they were produced, are a small step on the way to address these problems.

##### **Box 3: The Costs and Complexity of Aid Co-ordination**

A recent study of rural development assistance lists 417 ongoing projects in agriculture and rural development in Vietnam; a similar study identified 173 ongoing and 57 planned projects in the environmental sector. The costs of co-ordinating such a large number of activities is high, diverts resources from elsewhere, and can lead to a lack of synergy between projects.

Internationally, a conservative estimate is that 600 projects translates into 2,400 quarterly reports a year submitted to different oversight entities, and more than 1000 annual missions to appraise, monitor and evaluate.

Each mission asks to meet with key officials, and each will ask the government to comment on its report. The most common complaint voiced by officials interviewed for seven case studies of aid management in Africa was that aid imposes ‘too many administrative burdens’.

Sources: UNDP (1999); UNDP (2000:21); van de Walle and Johnston (1996:50) in World Bank (1999:15).

#### **1.5 The need to focus on outcomes rather than inputs**

8. When officials (both Governments and the international community) discuss development effectiveness there is often more of a focus on ‘inputs’ (such as schedules, disbursement rates etc.) rather than ‘outputs’, (how many children are educated, how many people have access to health care etc.) This is because information on inputs is much easier available than for outputs. However, this focus does not help achieve development goals. Instead, a focus on results and monitorable indicators is required.

#### **1.6 Strands in the new way of working**

9. In the past five years there have been a series of strands at the international level – all moving in the same direction. DAC introduced the International Development Goals to help encourage a greater discipline in monitoring outcomes and allocating resources wisely (Box 4). Similarly, the new international consensus for partnerships, embodied in the United Nations Development Assistance Framework (UNDAF), the Poverty Reduction Strategy Paper (PRSP)

and the Comprehensive Development Framework (CDF), has at its heart the belief that effective development has partnership at its core.

**Box 4: The International Development Goals**

Reduce the proportion of people living in extreme poverty by half between 1990 and 2015;

Enroll all children in primary school by 2015;

Make progress towards gender equality and empowering women, by eliminating gender disparities in primary and secondary education by 2005;

Reduce infant and child mortality rates by two-thirds between 1990 and 2015;

Reduce maternal mortality ratios by three-quarters between 1990 and 2015;

Provide access for all who need reproductive health services by 2015; and,

Implement national strategies for sustainable development by 2005 so as to reverse the loss of environmental resources by 2015.

*Source:* OECD/DAC (1996).

10. Since March 1999, the CDF has been piloted in Vietnam, in ten other countries and in West Bank and Gaza. An evaluation of the CDF pilots in mid 2000 pointed to progress on many fronts, though there is still much work to be done. The Report on Country Experience highlighted the lessons for partner organisations and countries (Box 5).

**Box 5: Lessons from the CDF Country Pilots**

‘The key consideration for all external partners is the need for greater harmonization of policies, practices, and procedures. Experience shows clearly that this cannot be achieved solely on the basis of action at the country level...all actors see this as an area that requires action at the institutional level...More specifically:

The business plans of all partners should be derived from the country’s strategy, or poverty reduction strategy in low-income countries....

The sector-wide approach is a promising instrument to establish effective co-ordination at the country level as well as reduce transaction costs;

Steps need to be taken to help countries improve their capacity to monitor development results;

The holistic approach presents challenges for all countries but is essential for focusing on greater poverty reduction;

Seeking maximum synergy among programs designed to improve country capacity;

Moving forward with the wider and faster application of in-country consultative group meetings;

Countries will continue to be encouraged to open up the dialogue further to include all representative domestic stakeholders...’.

*Source:* World Bank (2000b:11).

11. As the international consensus grows, and partnerships move from engagement to deeper, broader involvement, and ultimately to full harmonisation and Sector-Wide Approaches (SWAPs), both the challenges and the potential benefits grow. SWAPs are derived from a clear vision that is owned by the country, and are owned, directed and implemented by country stakeholders; they have participation from all the main donors and civil society, and common implementation arrangements. At the heart of a successful SWAP is a shared understanding of answers to the four ‘key questions’ (Box 1). It requires having a common vision and an agreed strategy and program – it does not necessarily imply co-financing, nor the loss of individual programmes. For a SWAP to work, partners have to be committed for the long-term, and both central and sectoral bodies must be involved. Sector wide approaches can be politically difficult for partners, but as the *Zambian Health Sector* example (Box 6) shows, the pay off can be great.

**Box 6: A successful SWAP: the *Zambian Health Sector***

From 1994 onwards, the *Zambian Government* asked donors to fund the *Ministry of Health* centrally, rather than individual provinces or projects, in line with the national health policy and strategy. Through this approach, the government hoped to ensure the strategy would be implemented both coherently and equitably. At first donors were sceptical, though gradually began to comply. An independent evaluation in 1997 found that ‘health workers are better motivated; clinics are functioning; funds are flowing to the districts; some modicum of decentralization is in place; [and] an important part of the private sector has become formally involved.’

*Source:* World Bank (2000a:197).

12. Partners can be wary of embarking on the SWAP path. Governments have to be strong, as a true SWAP approach requires the government to control the sector, and to prohibit donors from operating outside the SWAP framework. This could mean that some donors choose not to engage in certain sectors at all, rather than risk not being able to monitor and control exactly how their money is spent. (World Bank 2000a:197). However there is much positive experience. The *Zambian Ministry of Health* has proved that it is possible to co-ordinate a successful sector-wide programme (see Box 6); and other countries are now adopting the same approach. For example, the *Ghana Ministry of Health* has received support from a range of donors for their first sector-wide health sector programme. Most donors in *Ghana* are now moving beyond agreeing to a policy and planning framework to working with common procedures within government implementation systems; some donors are already moving funds towards a common pool (World Bank n.d:1).

## 1.7 The New Approach in Vietnam

### **Box 7: Recent Partnership Milestones in Vietnam**

- The Monthly Donor Group Forum was launched in March 1995, and has made a major contribution to bringing together senior officials in the Government and ODA community.
- The Private Sector Forum, proposed at the 1997 CG, has played an important role in generating a better spirit of partnership in this area.
- At the 1998 Mid-year CG Review Meeting in Hue in June, the Prime Minister requested donors to act in a greater spirit of partnership with each other and the Authorities.
- In September 1998, a regional conference held in Hanoi, brought together several Asian countries and major donors that reinforced a shared belief in the value of partnerships.
- At the December 1998 CG Meeting in Paris, a half day was devoted to the theme of partnerships and sector approaches. There was strong support for doing business differently, reflected in the Chairman's summary as follows: "Delegates also discussed a new approach to partnership in the design and implementation of development assistance, one in which the Government would be in the driver's seat, but all stakeholders would work together to develop and implement a long-term vision and strategy for Vietnam. Delegates felt that effective partnerships would raise the level of ownership of development assistance by Vietnamese agencies, enhance transparency, improve financial management, and enhance overall aid effectiveness."
- In April 1999, a major seminar on Partnerships and Aid Effectiveness was held, focusing on information needs, sector program approaches and the transition towards a more comprehensive approach to development.
- At the 1999 Mid-year CG Review Meeting in Hai Phong in June, it was agreed that the international community should support the Government's five-year planning exercise and develop a "shared vision" for each of the main sectors of development.
- In December 1999, at the CG Meeting in Hanoi, delegates agreed to work together to support the Government formulate sectoral and cross-sectoral strategies, to be presented at the December 2000 CG, based around four 'key questions' (in Box 1).
- In 2000, high-level Roundtable Consultations involving a wide range of partners have offered support to the Government in developing the ten-year Socio-Economic Development Strategy.
- In autumn 2000, Partnership Groups answered the four 'key questions' in Box 1, and used them to produce the theme notes in this report.

13. In June 1998, the Prime Minister of Vietnam requested donors to act in a greater spirit of partnership. Since then, more than 20 Government-Donor partnership groups have been formed in various sectors and areas of interest, and many have broadened their membership to include Vietnamese and international NGOs. Additionally, there are also a number of NGO and donor fora, some of which may develop into formal working groups. Box 7 outlines recent partnership milestones in Vietnam; the groups themselves are listed in Box 2.

**Box 8: Three Successful Partnerships in Vietnam**

***The Poverty Working Group***

The Poverty Working Group (PWG) was formed in February 1999, and has played a key part in building a shared understanding between Government, donors and NGOs in the way forward in fighting poverty. Members of the PWG include various government agencies, NGOs, and donor agencies. The process of working together on ‘*Vietnam: Attacking Poverty*’ (Poverty Working Group 1999) enabled issues to be explored, differences to be considered, and for consensus to be reached. The group has built a great deal of trust within and between the members, and is highly regarded throughout the development community in Vietnam. Since the production of ‘*Vietnam: Attacking Poverty*’, the Government has asked the PWG to collaborate with MOLISA to produce a comprehensive poverty reduction strategy. As part of this process, in July 2000 the PWG held a successful workshop in Sapa that made inputs to the strategy, and is now working with Government on poverty reduction strategies for the next five and ten years.

***The 5 Million Hectare Reforestation Programme***

In 1999, an international partnership was established in support of the Government’s 5 million-hectare reforestation programme. The partnership comprises the Ministry of Agriculture and Rural Development and 15 representatives of the donor community and international organisations, and forms a shared sector support programme for the 5MHRP on the basis of agreed policies, strategies, priorities and principles of implementation in line with international agreements. A partnership steering committee and secretariat has been established, and work is ongoing.

***The Ho Chi Minh City Official Development Assistance Partnership***

The Official Development Assistance Partnership (ODAP) in HCMC was formally established as a strategic partnership between the HCMC People’s Committee and a group of key international donors in March 1999. The partnership mobilizes coordinated support from donors according to their comparative advantages, assists in overall strategy formulation, and in the implementation of the priorities for investment and institutional strengthening. The partnership improves the effectiveness of donor support through (i) providing a framework for identifying priorities for donor support to the city’s development, (ii) striving for a consensus on policy reform and solutions to operational issues, (iii) facilitating project implementation, and (iv) coordinating donor knowledge and activities by sharing relevant information and enhancing access to documentation and project information.

14. The partnerships take many forms, and are changing over time. Partnerships vary from groups that have recently started a process of engagement and are exploring common ground, to those that have a jointly owned vision, a shared understanding of how to reach that vision, and work together in all aspects to achieve the vision. Thus partnerships can be shallow or deep, narrow (in terms of the range of partners or areas covered) or broad. Partnership groups in Vietnam provide good examples of different types of Partnerships. Box 8 highlights the Poverty Working Group – essentially a broad group that tackles wide ranging themes and provides substantial intellectual input to the poverty debate; the Five Million Hectare Reforestation Program, which has a substantive, focused, sector wide approach and will be a model for the new way of working, and the Ho Chi Minh City ODA partnership, which brings all key members of the international community together with the Government, mobilising coordinated support from donors according to their comparative advantage, and pooling knowledge and planning to implement the city’s integrated City Development Program.

## **1.8 Emerging Lessons and Next Steps**

15. International and Vietnamese experience shows that within partnerships where trust has built up between the partners, there is space for a wide range of views both in the process of forming the vision, and in defining strategies to reach the vision. The partnership approach is strengthened by a diversity of strategies to achieve the vision: successful partnerships do not require straightjacketed thinking. Whilst agreement is required about the overall objectives and vision, the activities of different partners can vary considerably in working towards the vision. In the same way, there is space for a diversity of approaches between partner countries.

16. Commitment, dialogue, trust and respect are the pre-requisites for making partnerships work. However, partnerships are not ends in themselves: it is essential to remain focused on development outcomes, to recognise that working in partnership can have costs, and that building consensus whilst harnessing diversity can be hard. Maintaining coherence and commitment in changing political contexts can also be tough, though international experience has shown that strong partnerships can respond flexibly to changing circumstances. Similarly, for partnerships to work, commitments have to be operationalised at all levels and by all partners: for the process to be valuable, the partnership must produce action, not rhetoric.

17. The experience of members of the partnership groups to date suggests that there are a number of key characteristics that influence the success of the groups:

- **Ownership:** broad ownership and participation, including strong ownership by Government, makes for success and substantive results.
- **Commitment:** groups in which all members are committed to the partnership process feel they have achieved more than groups where the commitment of some members is not as strong. However, the experience of the Poverty Working Group, among others, illustrates that commitment can be built over time as groups move from engagement around single issues to deeper partnerships.
- **Wide, multi-level support:** in order to work well, group members need support for the partnership process from people at all levels in all their respective organisations. Without it, the opportunities for partnerships to operationalise their vision is severely constrained.
- **Mission:** many groups have evolved from being information-sharing fora to having a deeper engagement and focus. Groups that have a clear, agreed mission and focus, built around the vision for their sector, feel they are successful and substantive. However, different sectors have different needs over time and groups are responding to this.
- **Funding:** groups that have the funding to, for example, set up a secretariat, feel that this has been important in moving to a more partnership based way of working.
- **Technical Knowledge:** groups whose members have specific, relevant technical knowledge that is respected by the development community feel they are able to achieve more because of this.

18. The experience of the past three years has shown that there are still challenges facing working groups and partnerships in Vietnam. These include:

- Staying focused on development outcomes rather than process;
- Measuring the effects of the partnership approach;
- Enabling organisations that have limited capacity to engage fully in partnerships - being over-stretched can lead to ‘partnership fatigue’;
- Building commitment and understanding at all levels in organisations that are engaged in partnerships in Vietnam;
- Deepening partnerships where appropriate; and,
- Rationalising/changing partnerships where they are not meeting a development need.

19. Much has been learned since the inception of the partnership approach in Vietnam, and it is likely that the flexible, dynamic nature of the partnerships that have contributed to this report will result in progress being made towards meeting present and future challenges.

20. The international consensus for partnerships, the support of Government, the results of partnerships such as those profiled in Box 8, and the potential showcased in the theme notes in this report, suggest that the partnership approach will become more prevalent in Vietnam over the coming years. This is likely to have a number of effects on development assistance in Vietnam, including a move to more of a programme approach (a move already being pioneered by some agencies); broader coalitions in the fight against poverty; less overlap and fewer gaps between programmes; more informed planning for all partners; more efficient use of resources and, ultimately, better development outcomes for Vietnam. These possibilities are all within reach: the onus is now on the members of the development community to make them a reality.

## **1.9 The Theme Notes**

21. Following commitments made at the December 1999 CG and the Informal CG Mid-year review meeting in Dalat in June 2000, and with a clear mandate from Government that this would be a useful for them while preparing for the Ninth Party Congress, it was agreed that Partnership Groups should produce brief theme notes answering the following ‘key questions’, detailed in Box 1.

- What is the long-term vision?
- What are the key steps needed to attain this vision?
- What should the role of different partners be?
- What are the key monitorable indicators?

22. During autumn 2000, Partnership Groups met to consider the four ‘key questions’. Starting from the government’s vision and strategy for the next five to ten years, the process resulted in the production of the theme notes that follow. These theme notes represent the views and work of the individual groups, and present an important guide to how the international community can help in realising the Government’s vision in the next decade.

23. In many cases the theme notes are the start of a process, whereby partnership groups are working to ensure a more holistic approach is taken that builds on the long term vision; that places ownership firmly in Vietnamese hands; that promotes more strategic partnership among stakeholders; and which improves accountability for development results.

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## POVERTY WORKING GROUP

### *Introduction*

1. This note has four short sections. First, it summarizes the Government's long-term vision for poverty reduction by quoting the ten year comprehensive poverty reduction strategy (CPRS) and the five year HEPR plan, prepared by the Ministry of Labor, Invalids and Social Affairs (MOLISA), and the Interim Poverty Reduction Strategy (I-PRSP), prepared by the Ministry of Planning and Investment (MPI). Second, it lists the steps needed to attain this vision – some of which have been articulated in Government documents, some which are missing or unclear. Third, this note attempts to document past, current and future roles of the PWG in supporting Government to develop its poverty reduction strategy, to plan and frequently update poverty situation assessments in Vietnam; and it indicates, in a preliminary manner, how improved partnership and collaboration could increase support to the Government to achieve the targets set out in the poverty reduction strategy and 5-year plan. Finally, the note suggests a need to develop more systematic monitorable indicators for Vietnam's poverty reduction.

### **1. What is the long-term vision for poverty reduction?**

2. The long-term vision for poverty reduction is reflected in the Government's draft 2010 CPRS, 5-year plan and I-PRSP<sup>1</sup>. Overall, the Government has shown a strong commitment to combating multi-dimensional poverty in the next decade. Goals are set not only in terms of reducing the number of poor households, and totally eliminating chronic hunger households, but also in terms of improving the poor's access to basic social services; expanding opportunities for the poor to benefit from social protection and welfare policies; goals are also set to continue providing special support to the most difficult areas. The Government documents for poverty reduction have also specified quantitative objectives which are listed in the last section as monitorable indicators.

3. This long-term vision is owned by the Government, through MOLISA and MPI. The Government has recently organized three regional workshops in the North, South, and Center of Vietnam to present and discuss this strategy widely with other related Government agencies, provincial representatives and with its development partners. The strategy was also discussed in a meeting of the Poverty Task Force on October 6, 2000. In addition, the Interim Poverty Reduction Strategy Paper (I-PRSP) has been widely discussed with line ministries, Government agencies, civil society and donors. Interestingly, MPI has also invited wider discussion from domestic as well as international NGOs which are actively involved in poverty reduction activities in Vietnam and their comments were very much welcomed by the MPI drafting team. The targets set out in the above vision have attracted the interest and support of a large number

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<sup>1</sup> MoLISA has drafted the Comprehensive Poverty Reduction Strategy to 2010 as part of Government's 10-year planning process. This sets the framework for the 5-year Hunger Eradication and Poverty Reduction Plan (HEPR). The interim Poverty Reduction Strategy Paper (i-PRSP) has been drafted by MPI. This presents outlines of the macroeconomic, structural and sectoral policies and measures which Government will take over the next three years to promote growth and attack poverty. This country-owned document will serve as a basis for SAC/PRGF lending by the World Bank and IMF.

of external partners, but there are areas where there is a need for further discussion, revision and greater clarity.

4. The vision is much more comprehensive than that set out in the last HEPR program. However, there is room to improve its comprehensiveness even further. Last year, the "Vietnam: Attacking Poverty" report, produced by the PWG, was widely praised as a very good assessment of the poverty situation in Vietnam. The 'Vietnam: Attacking Poverty' report identified the multi-dimensional nature of poverty. This implies that poverty has to be dealt with from many angles, with the involvement of all parties (the State, line ministries, civil society, and external partners). The tasks are complicated, and so are the goals; these will not only include reduction in poverty rates themselves, and other material goals (access to basic social services, infrastructure, etc.) but also *qualitative goals* such as an increase in the poor's participation, improvements in governance and institutional arrangements which deliver programs and projects designed to help the poor; and creation of a favorable environment to make the poor more active and participative in helping themselves out of the poverty trap. One possible way to do this may be to use outputs from the Poverty Workshop, which was held in Sapa in July 2000. The Workshop provided technical input to the Government's strategy, adding missing dimensions as well as qualitative aspects of poverty into the strategy.

## **2. What are the key steps required to achieve this vision?**

5. The Comprehensive Poverty Reduction Strategy (CPRS) will have a much more important role than ever before. It will not only be a document showing Government commitment to poverty reduction and formulating Government targeted programs to support the poor; it will be a document that effectively incorporates poverty reduction efforts between sectors and across the country; and that guides, enforces, and monitors the activities, involvement and performance of all development parties, such as line ministries, local Governments, civil society, and external partners, in the poverty reduction process. Ideally, in the longer-term the two key documents (CPRS and I-PSRP) will be converged into one document which takes advantage of the strong poverty focused but mainly targeted features of the CPRS, and the strong macro-economic linkages to poverty reduction of the I-PRSP.

6. To achieve the vision, a convenient way is to lay out in detail a series of actions, choices and principles that will guide and govern the "how to" or operational steps to achieve the goals. The current draft strategy has already started this and is progressing, especially in the I-PRSP with the linking of the macro-economic framework with poverty reduction activities. The CPRS has specified four key "principles" as follows: i) The CPRS should be more comprehensive, ensuring that basic needs in food, housing, healthcare, education, vocational training, culture and information, transport and communication be met, thus the tasks must be expanded; ii) The CPRS should be sustainable; iii) The CPRS should gradually apply the international standards on poverty assessment; iv) The CPRS should consolidate all available resources to make dramatic changes in poverty reduction in targeted areas, and communes that are in especially difficult circumstances, in order to improve people's lives.

7. These key principles are well chosen but, by themselves, will be insufficient to guide all steps and actions needed to attain the vision. Although the CPRS has identified 9 key policies and 7 projects to be developed and implemented in the next 10 years in order to achieve the goals, these policies and projects are basically to focus on targeting the poor communes and

individuals, especially in the 5-year plan. In order to make the strategy feasible, and to realize Government commitments on creating opportunities, ensuring equity, and reducing vulnerability, a more comprehensive approach can be used. This includes targeted programs and (both macro-economic and sector) policy interventions which can often be done with no or minimal direct costs, and by different agencies (line ministries, central and local Governments). A possible next step may be to continue with the macro-economic policies, taking advantage of and improving the macro-economic section of the up-dated version of the I-PRSP, making it more specific in terms of how macro-economic policies / reforms can contribute to poverty reduction, or what needs to be done to minimize negative impacts on the poor.

8. Second, taking the Public Expenditure Review (PER) as another example. While increasing households' contribution is necessary to ensure the development, expansion and improvement of poverty reduction, the current policies of “socialization” (such as in health and education) may have regressive characteristics. A possible way to protect the poor and other vulnerable groups may be to explicitly include additional policies or additional elements of current policies to protect poor families (say, the lowest two expenditure quintiles) or vulnerable groups from a disproportionately heavy burden of paying for their children's basic education, paying for basic health services as well as paying many other taxes and contributions. This could be accomplished through follow-on work resulting from the PER and linking this to the level of household expenditures on education and health, and the assumptions made by Government about levels of cost recovery. Such follow-up work will require additional analysis of the budget processes and resource allocation norms, and preparation of future budgets based on revised norms, thereby providing an opportunity to address geographical inequalities in resource allocation for education and health.

9. Third, sectoral policies and strategies may have potential impacts and influences on poverty reduction, either positive or negative. It is therefore important that sector-related poverty issues be mentioned, and that they are detailed and concrete enough to guide the relevant line ministries in achieving poverty-focused objectives, while ensuring both implementation and monitoring of progress. In this regard, it is important to note that the current CPRS already includes several sector-related policies, such as education, and health for the poor. In addition, there are several sectoral issues or cross-cutting issues which are among key problems closely related to the poverty situation of the poor (implementation of Decree 29, participation of the poor, transparency, development of two-way information systems, etc.) A useful way to provide more support to development practitioners may be to further incorporate operational details and guidance on how to deal with these cross-cutting issues.

10. Finally, the 5-year plan does not yet include lessons from the previous plan. Over the coming year, the component parts of the previous plan need to be evaluated and the lessons learned used to influence the design and implementation of the new strategy.

11. **Institutional change and capacity:** Poverty reduction must involve all parties, from the Government to civil society and donors, from central to local Government, and people themselves. The clearer the roles and responsibilities of the various stakeholders, the more effective and greater coherence the coordination between them. One possible way to address this question may be to make a clear division of responsibility between central and local Government, the role of Poverty Reduction (PR) staff at local levels, and of other stakeholders, for the management and delivery of poverty reduction services. It is also helpful to make clear

the role and responsibilities of line ministries and the PR institution (MOLISA) and develop effective cooperation mechanisms between them in the poverty reduction process.

12. Central PR institutions would require strengthening in terms of their capacity to coordinate the implementation, monitoring and evaluation of the CPRS in different sectors and across sectors, in particular in terms of carrying out and following up on the policy analysis activities suggested above. This would require capacity building in both quantitative and qualitative poverty analysis. It should be built upon stronger linkages between Government, line ministries and related agencies, Government offices, and mass organizations, and promote coordinated responsibility for implementing and financing the steps needed to reach the targets set out in the CPRS.

### **3. What should the role of different partners be?**

13. The Poverty Working Group (PWG) was set up in 1999, initially to coordinate between Government line ministries, agencies, donors, and NGOs in an effort to produce a report to assess the poverty situation in Vietnam. The report "Vietnam: Attacking Poverty" was a product of this group and was well received by the Government and donor community. It laid foundations to build a poverty reduction strategy for Vietnam.

14. In 2000, the task of the PWG is to help the Government develop its own CPRS and 5-year action plan. In addition, as Government needs to produce an I-PRSP as a requirement from multi-lateral institutions (WB and IMF) for its access to ODA, the group also needs to comment on this document. This is an ongoing process and the PWG will meet again to plan out a set of actions that should examine the degree of coherence between externally supported programs and the Government's strategy. Therefore, the first step (already ongoing) will be for Vietnam's external partners to structure themselves to enter the debate and to respond constructively to the Government's vision. The second step is for the Government to identify prioritized areas and invite debate and discussion on these areas of the strategy. A third process step will be to map all ongoing and planned programs from the external partners onto the 2010 strategy and 5-year plan, and then to see where adjustments and revisions are needed to align the externally supported programs with the Government's strategy and plan. Finally, over the coming year the PWG will work with Government on the evaluation, implementation and modification of the strategy.

### **4. What are the key monitorable indicators of progress for short/medium term?**

15. An important element of an effective CPRS is on assessing performance and monitoring the poverty reduction progress. There is a problem with the current drafts of the three documents as there are several poverty figures cited in the CPRS associated with different methods and poverty lines, which may cause unnecessary confusion. In the future, it would be necessary for Vietnam, on the one hand, to have only one and consistent poverty line to generate poverty figures, and on the other hand, to collect information at local and project levels, for appropriate targeting purposes. Several of the monitorable indicators have been extracted directly from the Government's strategy. These not only show the focus and emphasis of the Government's program but they provide quantitative targets that can to a certain extent be used to assess the magnitude of the program and the resource requirements. The draft targets are the following:

	<u>2005</u>	<u>2010</u>
• % of poor households	<10	0
• of chronic hunger households	0	0
• % of poor communes with basic infrastructure	100	100
• % poor households with full access to basic social services	75	90

16. However, this note would like to suggest that in addition to an emphasis on monitoring the system using quantitative and input indicators, a regular *quality assessment* of the services attained by the poor may be very helpful to address the problems of the poor getting access to quality services. It is also suggested that a detailed and more enforceable system of monitorable indicators may be incorporated in the CPRS, 5-year plan, and I-PRSP, either in the text or in an attached annex. The system of indicators would ideally be as sector specific as possible, quantitative as well as qualitative, and be broken by groups (such as income, region, gender, and ethnicity) to best support assessing and monitoring purposes. For example, access to employment (stable jobs) opportunities by the poorest, women, ethnic groups; full implementation of Degree 29; participation level (break down by groups: poorest 40%, women, ethnic minorities). One possible way to make the strategy more feasible may be to include indicators on financial requirements (commitments of the Government budget and mobilization from other sources) to achieve the above goals. For example, % of public expenditure spent on social services (such as health, education); achievement of the 20/20 commitment; % of the poorest group receiving free social services and exempted from paying fees and contributions. Inclusion of other process indicators such as the regularity of collecting data on poverty (both quantitative and qualitative data), updating poverty assessments and progress assessment reports, would be very useful.

The table in the Annex outlines a selection of key recommendations for each targeted intervention of the HEPR strategy, most of which have been brought forward by the international community in its discussions with the Government over the last two years.

**Annex: Recommendations from the PWG for improved HEPR Policies and Programs**

<b>Government Policies</b>	<b>Recommendations from the Poverty Working Group for improved HEPR policies and programs</b>
1. Credit for the poor	<ul style="list-style-type: none"> <li>• Adopt <i>non-subsidized interest rates</i>;</li> <li>• Encourage the formation of <i>credits and savings groups</i> of villagers; strengthen community-based savings schemes targeting women, through mass organizations but linked to formal banking system;</li> <li>• Link credit provision with <i>agricultural extension</i> and technical and managerial skills development;</li> <li>• Improve methods to <i>reach</i> poorest households (simplifying methods to access loans, improving information, etc.).</li> </ul>
2. Health	<ul style="list-style-type: none"> <li>• <i>Redirect</i> significant funding from hospital based services to district hospitals and primary health care services and focus on health promotion and preventive health;</li> <li>• Provide <i>salary incentives</i> and training to health staff working in remote areas;</li> <li>• Improve <i>coverage of health insurance and health cards</i>, through transparent allocation mechanisms;</li> <li>• Improve <i>access to family planning and reproductive health services</i> for the poor, through a support to community-based organizations, among others.</li> </ul>
3. Education	<ul style="list-style-type: none"> <li>• Ensure <i>complete free access</i> to primary school for poor children through exemption of construction fees, costs of books and uniforms, and insurance. Associate this policy with central transfers to poor localities in order to compensate for the related loss of revenues;</li> <li>• Provide mechanisms for equitable access to school for <i>unregistered migrant</i> children in urban areas;</li> <li>• Provide <i>bilingual education</i> to ethnic minority children;</li> <li>• Provide <i>special incentives</i> for a sufficient quantity and quality of teachers in remote areas;</li> <li>• Provide <i>school feeding programs and food transfers</i> as incentives for school attendance for the poor.</li> </ul>
4. Ethnic minorities	<ul style="list-style-type: none"> <li>• Devise an <i>integrated strategy</i> for poverty reduction for ethnic minorities, taking into account specificities of key ethnic groups, including health, education, income earning activities, credit, participation, infrastructure, knowledge;</li> <li>• To increase productivity of crops growing in upland areas such as maize and cassava, provide <i>research and extension services</i> for these crops (and not only for rice).</li> </ul>
5. Legal Assistance	<ul style="list-style-type: none"> <li>• Institutionalize <i>community legal education</i> on poor people's benefits, rights and entitlements;</li> <li>• Promote the role of <i>mass organizations</i> and community based groups in this area.</li> </ul>
6. Safety Nets	<ul style="list-style-type: none"> <li>• See Chapter 4 of 'Pillars of Development'.</li> </ul>
7. Housing	<ul style="list-style-type: none"> <li>• Expand the project to <i>urban housing</i> problems, to improve low income settlements.</li> </ul>

8. Land for the poor	<ul style="list-style-type: none"> <li>• Reduce the emphasis on land provision to the poor, and instead put more emphasis on creating <i>off-farm employment</i> and improving <i>skills</i> in non-agricultural activities (vocational training).</li> </ul>
<b>Projects</b>	
9. Infrastructure for poorest communes	<ul style="list-style-type: none"> <li>• Ensure <i>participatory selection mechanism</i>;</li> <li>• Involve <i>community</i> in <i>maintenance</i> of the project;</li> <li>• Ensure <i>mobilization of contracted local resources</i> for the construction (paid labor and materials);</li> <li>• Develop <i>disaster resistant public buildings</i>, that can provide shelter in times of disasters.</li> </ul>
10. Support in production	<ul style="list-style-type: none"> <li>• Provide a comprehensive set of incentives to <i>promote rural enterprise development</i>;</li> <li>• Broaden vocational training from technical issues to <i>business and management</i> issues;</li> <li>• Scale up the provision of <i>agriculture, aquaculture and veterinary services</i> and make them appropriate to upland household production methods;</li> <li>• Develop network of <i>local extension workers</i> as extension services have limited outreach.</li> </ul>
11. sedentarization	<ul style="list-style-type: none"> <li>• Put less emphasis on attempts to stop and control migration, and <i>concentrate on improving livelihoods of migrants</i>, through assistance in production notably.</li> </ul>
12. Culture and information	<ul style="list-style-type: none"> <li>• Focus the project on <i>specific information problems for the poor</i>: (i) improve information channels to ensure that the poor receive information about the activities of the poverty programs, their rights and entitlements, poverty related policies at the local level, and local revenues and expenditures; (ii) support information campaigns on grassroots participation.</li> </ul>
13. Training for HEPR staff	<ul style="list-style-type: none"> <li>• Provide training to HEPR staff on <i>participatory methods</i>;</li> <li>• Provide <i>gender training</i> to HEPR staff as well as training in monitoring and evaluation techniques.</li> </ul>
14. Bamboo bridges	(no recommendations)
15. Models for sustainable poverty alleviation	(no recommendations)

## **GENDER STRATEGY**

### **1. What is the long-term vision?**

1. The Long Term Vision for the Joint Government Donor Gender Strategy is the social, economic and political advancement of women and gender equality in Vietnam. This will require creating an overall enabling policy environment, combined with a gender aware society, and gender sensitive institutional structures, policy making processes and practices. These will go beyond targeted women and family programmes and aim to analyse and influence macro and sectoral policies and programmes. The ultimate objective is to create a 'level playing field' whereby women and men will be in an equal position to access and utilise basic social services and factors of production, and to make the necessary social, economic and political choices and decisions on issues, policies and programmes impacting on their livelihoods and well-being.

2. This vision is owned first and foremost by the Government - through the NCFAW and CFAW network in every Ministry and Province, as well as through the VWU at central and local levels. A number of donors have also expressed their support including but not limited to: UNDP, the World Bank, the Royal Netherlands Embassy, CIDA, Danida, AusAid, Ford Foundation, ADB, UNICEF, FAO, UNIFEM, Oxfam GB, etc.

3. It is anticipated that the workshops (launching workshop 26 October 00, Second Plan of Action for the Advancement of Women (POA2) workshop 8 Nov 00, Joint Gov-Donor Working Group workshop on 1 Dec 00) will generate wider understanding of the issues and support for our work. These workshops will demonstrate the importance of addressing gender in all national and international sectoral plans and programmes, as well as the relevance of gender to all sectors. Whether there is sufficient ownership of the vision, among Government and donors alike, will be shown ultimately, among others, through whether adequate financial support will be given to the operation and strengthening of the gender policy 'machinery', and to various gender-related projects and activities.

4. The process associated with this vision consists of a series of participatory activities designed to facilitate the development and implementation of a comprehensive set of recommendations which will contribute to the social, economic and political advancement of women and gender equality in Vietnam. These recommendations will work hand in hand with the Government's 10 year strategy, in the spirit of mainstreaming gender in the National Policy and Planning Process. The recommendations will cover a broad range of sectors at all levels: thus creating an overall enabling policy environment.

5. The starting point for this process is the spirit of Government policy on gender in particular and development in general, including

- report on mainstreaming gender in NSEDS (MPI-UNDP Project)
- review of First Plan of Action for the Advancement of Women (POA1)
- draft outline for POA2
- Strategy for the Advancement of Women to 2000
- draft outline for the Strategy for the Advancement of Women to 2010

- draft GoV 10 Year Strategy for Socio-Economic Development to 2010.
6. NCFAW coordinated the organisation and activities of the Joint Government Donor Gender Strategy Working Group in order to facilitate the development of the Strategy and POA2. The following steps were integral to this process:
- integrate gender issues into the National Socio-Economic Development Strategy to 2010.
  - assessment of the implementation of POA1 since 1997.
  - assessment of research and projects on women and gender in Vietnam since 1993
  - development of the Situation Analysis Report on Women and Gender in Viet Nam, as of 2000. The purpose of this report is to assist planners to ensure that the planning process is based on a thorough analysis of the real situation of the majority of women on a day to day basis, thus ensuring the relevance of the policy recommendations in POA2. To this end, the report is based on in-depth analysis and recommendations in 4 main areas:
    - Employment and economic status
    - Education and HRD
    - Health and Safety
    - Leadership and Political Participation.
7. The report examines specific gender issues within these sectors using an analytical framework which allows planners to understand each issue through the lens of the following 'influencing factors':
- relevant International Conventions, national laws and policies.
  - important stakeholders, and their role with respect to the issue.
  - poverty: e.g. how the issue impacts on poverty, how poverty impacts on the issue.
  - relationship to intra-household decision making processes.
  - gender stereotypes.
- A series of 5 local level consultation workshops to better understand and represent the voice and priorities of grassroots women in different parts of the country.
  - A series of national and international workshops to present findings and discuss inputs to POA2 and the next 10 year Strategy for the Advancement of Women, including:
    - Launching workshop for the Situation Analysis, the WB Gender Assessment of Laws and Policies in VN, the WB Engendering Development Report. (26,27 Oct 00)
    - National Conference to present assessment of POA1 (8 Nov 00)
    - National Workshop to plan POA2 and 10 Year Strategy (9 Nov 00)
    - National Workshop to discuss role and function of NCFAW/VWU (10 Nov 00)

- Joint Government Donor Workshop to discuss JGD Gender Strategy (1 Dec 00)
- Based on the outcomes of the above activities the following documents will be developed:
  - the POA2 to 2005
  - the 10 Year Strategy for the Advancement of Women to 2010
  - the Joint Government Donor Gender Strategy
- Government approval of POA2 and Strategy to 2010.
- Implementation of POA2 and Strategy to 2010.
- Monitoring and evaluation of the implementation of POA2 and Strategy to 2010.
- A crucial step to mainstreaming gender will be to ensure that the policy recommendations from the above 3 documents are also cross-referenced with and ideally integrated into the relevant 'mainstream' policy documents, in particular the National Socio-Economic Development Strategy, the Poverty Reduction Strategy, as well as sector-specific strategies such as those dealing with Economic Management, Rural Development, Human Development (Education and Health), and Governance and Public Administration Reform.

## 2. What are the key steps needed to attain this vision?

8. The key steps will be clearly defined in the above documents, however some basic principles can be laid out at this point:

9. **Policy:** it will be necessary to closely examine the gender implications of all laws and policy (not just policy which explicitly states its relationship to women), according to the current discourse on gender which supports the view that all policy has a gendered impact. Likewise it will be important to look at not just national level but also international or regional agreements (e.g.: trade agreements) This analysis will suggest possible amendments to ensure that all laws and policies are gender sensitive. In the spirit of the rights based approach adopted by the UN (UNDP HDR 2000) it will also be important to position the recommendations in the broader context of the relevant UN Conventions (e.g.: Beijing + 5, CEDAW, Violence, ILO, Rights of the Child, etc.) It will also be necessary to understand the constraints to implementation of national policy and International Conventions, as this seems to be a common theme in all gender analysis in Vietnam. Strategies to overcome these constraints will have to be factored into plans and programmes.

10. **Institutional change and capacity:** The NCFAW - CFAW network will require strengthening in terms of their capacity to coordinate the implementation as well as monitor and evaluate the implementation of POA2 and in particular carry out and follow up on the policy analysis activities suggested above. This would require capacity building of in both quantitative and qualitative gender analysis at macro (policy), meso (institutional) and micro (grassroots) levels: e.g. collection and interpretation of sex-disaggregated statistics, gender analysis of policy planning processes as well as outcomes, gender budgeting. There should also be stronger linkages between VWU and NCFAW in order to capitalise on the grassroots experience of the VWU and the policy advice role of NCFAW. In that context, capacity building of especially lower levels of the Women's Union will be important. NCFAW and the Women's Union both

would also benefit from stronger linkages to key - line Ministries and Government Offices, and advocacy skills to ensure that their voice is heard at the highest level (Strengthen the political decision making position of NCFW-VWU, e.g. include as part of Cabinet?) As part of this process, technical capacity within each key line Ministry and local government bodies should be strengthened - see TWG-MARD model as an example. Strengthening networks with other relevant national as well as regional or international gender advocacy groups would also be useful.

11. **Activities/financing:** The POA and the Joint Gov Donor Gender Strategy will provide the basis for developing specific activities and allocating the necessary financial support. In the spirit of mainstreaming it is crucial for all key line Ministries, Government offices and Mass Organisations to take responsibility for implementing and financing activities to reach the targets set out in POA2. Gender should be an integrated part of all Gov policy implementation and monitoring activities. Having said that, in extreme cases where there are major gaps there is justification for stand-alone gender policy and programmes, in this case MOF and MPI should consider establishing a separate budget for implementing POA2. Donors must also take responsibility for the above approach in their work and include gender as part of all projects in their on-going portfolio of development assistance, in addition to the necessary gender-specific projects. Donors should also endeavour to let their support be guided by the POA2 as much as possible.

12. **Mode of delivery:** this will be clearer once the actual Joint Gov Donor Strategy, the NSEDS to 2010, POA2 and ODA commitments have been developed and finalised, but in principle it is anticipated that key Government agencies and donors will take responsibility for implementing specific sections of the POA2 in a coordinated and timely fashion. It is hoped that the strategy will be implemented in such a way as to reach the targets set out in the POA2. It would be useful to see to what extent some of the targets of POA2 can be met through existing or pipeline 'mainstream' programmes, as well as through increased regional collaboration.

### **3. What should the role of different partners be?**

13. At this point it is difficult to answer this question as donors have not had the opportunity to commit their support to implementing the POA2. However it is known that some gender specific projects are planned or on-going (note that these were not necessarily developed specifically to implement POA2 but may fit into that framework later) such as:

- UNIFEM (Trust Fund) Combating Domestic Violence Against Women in VN
- UNDP, Netherlands - Phase 2 of VIE96011 (TBD)
- Netherlands - Mainstreaming gender in NIPA, HCMNAPS
- TWG-MARD - series of research and other projects on gender mainstreaming in MARD
- FAO/UNDP - Gender Analysis of VLSS2

14. In addition there are some regional projects

- UNIFEM: Statistics, politics, technology
- UNDP: Interagency Project: Cross border trafficking in Women and Children in Mekong Sub-Region

15. Some mainstream projects have also included a gender component:

- 5 million hectares
- NZ, SIDA, GTZ Land projects (MARD)
- World Bank-sponsored projects on Northern Mountains Poverty Reduction, and Community Based Rural Infrastructure

#### **4. What are the key monitorable indicators?**

16. There is a need to look at each issue within each Sector: <sup>2</sup>

##### **4.1 *Employment and Economic Status***

- Women's income relative to men's
- Distribution of women's employment across sectors and levels (formal/informal, farm/off-farm, etc)
- Rate of women's unemployment
- Rate of women as managers
- Women's ownership-entitlement of property - including land
- Women's access to credit (number and amount of loans as proportion of number of applications, sources); savings (number of savings groups established and operating sustainably, number of savings groups trained); financial management services.
- Impact of women's credit/savings/income on household consumption patterns.

##### **4.2 *Education and HRD***

- Rate of female students completing school at different levels (primary, secondary, tertiary)
- Rate of female students in vocational training and higher education, by sector.
- Rate of women accessing relevant agricultural extension services.
- Incidence of gender stereotyping in school textbooks, (media?)

##### **4.3 *Health and Safety***

- Narrowing gap between women and men's workload (hours of paid/unpaid work)
- Women's access to health care services in the context of reform, privatisation.
- Implications for time use for women caring for the sick including those affected by HIV-AIDS.
- Women's access to reproductive health care
- Men and women's access to and use of different forms of contraception (also look at age groups, unmarried)
- Change in maternal mortality rate

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<sup>2</sup> all statistics for women should be compared to statistics for men, to be relevant

- Change in abortion rate
- Rate of women affected by STDs, HIV-AIDS, through which means of transmission.
- Incidence of domestic violence: reported, prosecuted or legally addressed.
- Incidence of women assisted through counselling, access to shelters, legal aid

#### ***4.4 Leadership and Political Participation***

17. Must have quantitative and qualitative indicators, e.g.:

- Rate of women/men
- Gender sensitivity of women/men
- Gender analysis of outcomes of decisions: rate of women benefiting and how
- Women in high level and other Executive bodies, different positions - participation of women in high level decision making processes
- Women in Elected Bodies: National Assembly, People's Council, Special Committees within each of these
- Gender in public expenditure: rate of women consulted or participating in decisions
- Grassroots Democracy Decree: rate of women in Steering Committees overseeing the implementation of the decree; rate of women chairing and participating in public information sharing, consultation and decision making meetings undertaken under the decree.

## ENVIRONMENT

### 1. The Environment Vision

1. The Government has a well-enunciated vision for environment protection and sustainable use of resources over the next ten years in the form of the National Strategy for Environment Protection, 2001-2010 (NSEP), completed in July 2000. The strategy is based on a thorough analysis of the issues through the National Environment Agency's annual state of environment reporting process and a joint Government/donor study on the lessons of a decade of aid to the environment. The strategy and the associated action plan to 2005, provide a credible policy framework for Government and international cooperation over the next five years.

2. The overall vision of the strategy is to protect and improve the environment to enhance the quality of life and health of the people and to ensure sustainable development of the country. That vision is to be addressed through three strategic objectives:

- preventing and controlling pollution;
- protecting, conserving, and sustainably using natural and biodiversity resources; and
- improving environmental quality in urban, industrial and rural areas.

3. The operative strategies are prevention, conservation and enhancement.

4. The strategy has 13 broad "programme areas" relating to: the urban, rural and industrial environment; the key natural resources of water, air and land; the critical natural systems of forests, wetlands and coastal-marine areas and their biodiversity resources; and effective regional and sector planning. These programme areas are complemented by eight "cross-cutting themes".

5. The National Environment Action Plan, 2001-2005 (NEAP) draws down on the strategy to provide a sharper set of seven priorities relating to: sustainable industrial development; solid and hazardous wastes; water management; forest management; environment institution strengthening; environmental education; and community involvement. These programme areas are identified as having the highest priority for action. The NEAP sets out other high-priority programmes, such as more effective management of wetlands and implementation of standards for air pollution, which need to be undertaken as resources become available.

#### *1.1 The Process of Forming the Environment Vision*

6. A 1998 Directive from the Communist Party Political Bureau instructed MOSTE "to develop a National Strategy on Environmental Protection and Sustainable Development for 2001-10". Other Ministries were instructed to also prepare ten-year strategies covering what the Government viewed as the critical fields of development.

7. The National Environmental Agency (NEA) has made every effort to draw all the main players into strategy preparation. It has managed an unprecedented consultative process entirely on the initiative of the Government. The process so far has had four phases:

- a baseline study completed in 1998;

- internal consultation and drafting stages running through 1999;
- an international review and second consultation phase with sectors and local Government in early 2000; and
- final drafting and formal submission to Government in mid 2000.

## **2. Key steps needed for attaining the vision**

8. The NSEP is clear in defining what is required for its effective implementation. This section is a summary of the NSEP implementation framework. The NSEP and NEAP are the foundation for developing environmental protection strategies for each sector, each region, and each locality. Sectors and local Governments will implement the strategy according to the priorities the NSEP specifies.

9. Under the direct leadership of the Prime Minister, MOSTE will co-operate with other ministries, branches and localities in integrating the strategy into their own policies and operations. It will be necessary to develop specific indicators of progress and targets for each programme and to delegate responsibility to each ministry, branch or locality to carry out specific activities in accordance with their capacity, functions and resources.

10. MPI will be responsible for co-ordinating with ministries, branches and localities to integrate the strategy and action plan with socio-economic strategies and the annual and long-term plans of the State. MPI and the Ministry of Finance are responsible for mobilising all the resources necessary for effective implementation of the strategy and the various regional, branch and local environmental action plans that follow from it. Furthermore, the NEAP gives details on the resources available for the Government to meet the objectives. Where Government resources are insufficient, donor support will be needed.

### ***2.1 National Board for Sustainable Development***

11. A National Board for Sustainable Development is being established to oversee, guide and facilitate implementation. The National Board will work to:

- ensure that the NSEP programmes are included in national, sectoral, and regional socio-economic development strategic plans;
- co-ordinate the implementation of NSEP programmes; and
- oversee the monitoring and assessment of strategy implementation.

12. The success of the NSEP will depend on how well it is adopted by all development and natural resource management sectors. The initial step of building the environment strategy into other strategies and plans will require the full commitment of Government with support from international partners.

### ***2.2 Integration with Ten-Year Socio-Economic Development Strategies***

13. First, the goal and objectives of NSEP must appear in the national ten-year strategy for socio-economic development and the ten-year strategies of every branch of Government. All ten-year strategies are due to be finalised and approved by Government in the year 2000. This

restriction may not allow sufficient time for the comprehensive environmental review of all the strategies prior to final adoption. Thus, strategies submitted to Government should at least include relevant environment strategy objectives and foreshadow other environmental amendments and additions. A more thorough review will be completed in 2001.

### ***2.3 Integration with five-year Socio-Economic Action Plans***

14. The detailed planning for environment and socio-economic integration will concentrate on the five-year action plans for 2001-2005. Once again, these plans must be submitted to Government by the end of 2000, leaving insufficient time for comprehensive integration. This process will need to continue through 2001, with necessary amendments and additions being made through the usual annual review of five-year plans.

15. MPI, in association with MOSTE, will be responsible for ensuring that the NSEP/NEAP and the environment policy commitments made in the strategies of all branches are picked up and detailed in five-year plans. Normally, each plan would be developed on the basis of the socio-economic "orientations" defined by MPI. While these have already been issued for the 2001-2005 action plans currently being prepared, MPI/MOSTE will be responsible for preparing environment orientations to guide the review of plans for each branch of Government.

16. MPI will require each sector and provincial Government to prepare a comprehensive environmental action plans for the 2001-2005 period as an integrated component of their five-year development plans. This is a necessary step to ensure effective priority setting and Government budgeting for environmental and sustainable use concerns within each sector and local area. These environmental action plans should be completed by the end of 2001.

17. Each of the environmental action plans should be defined as a project for Government budgeting purposes. International partners are needed to work with individual sectors and groups of provinces to build environment management capacity through the preparation and implementation of the environment action plans.

### ***2.4 Preparation of Regional Environmental Action Plans***

18. The NSEP calls for the preparation of environmental action plans for all economic regions. The aim is to bring together sectors and provinces to safeguard shared natural resources and systems.

19. MPI, in association with MOSTE, will be responsible for initiating the preparation of environmental action plans for the regions. MOSTE will provide a format and guidelines on the process to be followed, and MPI will ensure that the plans are prepared, including clear definition of responsibilities, by the end of 2002. MPI/MOSTE task forces should be established to draft the plans for each region. Here too, international support is required, particularly on the process aspects of involving the concerned sectors and provinces. International support should be considered as additional to a specific Government budgetary allocation for the purpose.

20. MOSTE is also responsible for preparing regional Biodiversity Action Plans (BAPs) for each of Vietnam's biodiversity regions. NEA has already initiated the process in the Central Highlands biodiversity region, which has been identified as the highest priority for conservation action. The development of these regional BAPs should be closely co-ordinated with the

preparation of the regional environmental action plans, so that the two initiatives are complementary and mutually supportive.

### ***2.5 Monitoring and Assessment of Strategy Implementation***

21. Annually and every five years, MPI and MOSTE will work with the Ministry of Finance and other ministries, branches and localities to review and evaluate implementation of the NSEP/NEAP. It is expected that each of the major programme areas will be monitored and assessed in terms of performance indicators and that this process would feed NEA's annual state of environment reporting. These performance indicators could include the number of completed strategies and action plans, implementation status of strategies and action plans, and start dates for Government-donor partnerships.

22. Each of the ministries, branches and localities will submit their appraisal of progress to the Prime Minister. The National Board for Sustainable Development will co-ordinate the monitoring and assessment process and submit an overall appraisal. This appraisal may contain recommendations to readjust and supplement the strategy and individual environmental action plans as required.

## **3. What should the role of different partners be?**

### ***3.1 Environment Support Group***

23. The Government of Vietnam and donors share a common objective: to optimise the effectiveness of donor investment in the environment sector. The NSEP provides a framework for collaboration on programmes on environmental protection, conservation, and sustainable use of resources. The implementation arrangements for the strategy emphasise "working linkages" between the Government and donors.

24. Arrangements for the next five years include:

- creation of an environment support group (ESG). This would seek to enhance information exchange, promote co-ordination and encourage ODA investments in priority programme areas through the formation of partnerships;
- creation of pilot environmental partnerships to support implementation of priority NSEP programmes and components; and
- the comprehensive review of the pilot partnership experience and the progressive formation of partnerships around other priority programmes of the strategy and action plan.

25. The overall objective of the ESG is to increase the effectiveness and efficiency of development aid to the environment, in line with Government policy and priorities, through an environmental partnership approach. An environment partnership is an association of several donors working together in an integrated way to assist Government in realising a priority policy commitment.

26. Specific objectives are to:

- help integrate national and international investment in the environment under one policy framework;

- help in integrating the NSEP into the plans and programmes of all arms of Government;
- channel scarce resources to the highest priority concerns, while minimising overlap and wastage;
- help further define and clarify priorities and programmes on the environment; and
- strengthen the management capacity of MOSTE/NEA to promote working linkages on the environment across sectors and between different levels of Government.

27. The operation of specific partnerships will be the main driving force for the EG process. Environment partnership will be formed to mount collaborative programmes of work around high-priority issues and geographic areas.

28. The NSEP and NEAP have set a range of national priorities, some broad, others specific. These priorities now need to be expressed in terms of action programmes with their own policy objectives and project activities. Some of these programme priorities will require strong international support.

29. Drawing from those priorities and current discussions of the Government-donor environment working group, five programme areas and one geographic area have been identified around which pilot environment partnerships will be formed or consolidated. These pilot partnerships would test the approach over the first year of the ESG. The pilot partnerships would also focus on identifying and eliminating potential gaps and overlaps within each partnership initiative. A review of the experience would guide the further development of the partnership approach.

30. The six potential pilot environment partnerships are as follows:

Programme Area	Initial Partners	
	Government	International Organisations
1. Environment institutional development	MOSTE/NEA, target sector agencies, target provincial agencies, MPI, MOET	UNDP, SIDA, CIDA, SDC, Danida, German DSE, WWF, IUCN
2. Conservation and sustainable use of the coastal and marine environment	MOFI, MARD, MOSTE/NEA, MPI	Danida, SIDA, Dutch, World Bank/GEF, ADB
3. Cleaner production	MOI, MOSTE/NEA, MPI	UNEP, World Bank, UNIDO, SDC
4. Elimination of lead in petrol	MOT, MOSTE/NEA, MPI	World Bank, USAEP, CIDA, SIDA, Dutch
5. Vietnam GEF strategy implementation	MOSTE/NEA,	World Bank, UNDP, Danida, Dutch, WWF, IUCN, BirdLife, FFI
6. HCMC environment partnership	HCMC DOSTE, MOSTE/NEA, MOI/DOI, MOC/DOC, MPI/DPI	World Bank, ADB

### ***3.2 The immediate next steps include:***

- finalisation of the ESG submission to Government;
- convening of the ESG;
- forming and funding of the ESG secretariat; and
- launching of the pilot environment partnerships.

## **CIVIL SOCIETY AND COMMUNITY PARTICIPATION**

### **1. Background and current situation**

1. As outlined in preliminary drafts of the Government's Ten Year Strategy and Five Year Plan, Government aims at bringing in the principle of "people know, people discuss, people execute and people supervise". Thereby, the people's voice is strengthened, their access to information increased, citizen's awareness of legal rights and obligations increased, and overall governance is strengthened. Decree 29/CP on the Regulation of the Exercise of Democracy in Communes (hereafter called "Grassroots Democracy decree") offers a good legal framework for increasing community participation at the local level (Box 1). The Government is also stepping up its programs for legal dissemination and legal aid to citizens, and is integrating community participation approaches in its targeted poverty and infrastructure programs (such as Programs 133 and 135 – Box 3).

**Box 1: The Grassroots Democracy Decree is an important step in increasing community participation at the commune level**

In May 1998, the Government introduced a decree on the exercise of democracy and information transparency in communes as it relates to commune plans, budgets, expenditure reviews, and reviews of Commune People's Councils' and Committees' activities. It distinguishes between four different levels of participation: information sharing, consultation, participation in decision making and monitoring/supervision.

2. In pursuing its goal of enhanced governance and participation, as well as those of poverty reduction and decentralization, Government aims to strengthen partnerships with other organizations working for the benefits and needs of the people, by continuing to encourage and support the work of mass organizations. It recognizes the need to also put in place a legal and policy framework for associations and domestic NGOs, since they can be important partners as well, supporting the Government's goals of poverty reduction, decentralization and improved governance. Through Decree 35/CP (1992) on science and technology organizations, decree 177/CP (1999) on Social Funds and Charity Funds, and the Law on Science and Technology (no. 21, 2000), the beginnings of a clearer legal framework for associations in those areas have been put into place. (Box 2).

**Box 2. The new Law on Science and Technology provides a clearer legal framework for the operation of research-oriented associations and NGOs**

The recently introduced law on Science and Technology (No.21/2000/QH10 of June 9, 2000) clearly defines the roles and expectations of organizations and individuals in relation to activities concerning science and technology. For the first time, independent organizations have been granted legal status in a range of new areas, making them subject to the rights and provisions of the Law. Organizations are now accorded autonomy and self-determination in the development of ideas, planning, organizing, managing, and implementing research and development activities. Furthermore, organizations can freely undertake cooperative partnerships or joint ventures with other bodies, and may receive or contribute financial and other assistance as deemed relevant and allowable by law. The law outlines a proactive approach to increasing contact and cooperation between overseas Vietnamese and international organizations and/or individuals. Two key points of relevance to NGOs are the intention of the State to "adopt policies to attract Vietnamese intellectuals residing overseas and the world's brilliant experts to take part in scientific and technological development in Vietnam", and the openness to overseas investment in supporting development ventures in Vietnam. Overall, the new law is a positive and progressive step which will provide much needed support to NGOs currently in operation, and may also lead to a substantial increase in the emergence of independent development organizations in the coming years.

**Box 3: The community participation envisaged in the targeted poverty Programs 133 and 135**

The National Target Program (NTP) for Hunger Eradication and Poverty Reduction (HEPR) – Program 133 in short – and Program 135 for Socio-Economic Development in Communes with Extreme Difficulties, aim to work in a decentralized way with promotion of community participation. However, reviews commissioned by UNDP in 1999 and 2000 indicate that most communities are not yet empowered to participate in decision making, management and evaluation. Their role in identification of the programs' target beneficiaries, planning for implementation and monitoring of results and expenditures is thus not yet realized, because decision making mainly takes place at provincial levels, while the programs lack the flexibility to accommodate local people's inputs. Local people have little information on what they can expect in terms of program activities and benefits, how they can monitor the program's activities and raise complaints; women and other disadvantaged groups are often in effect excluded from community consultation meetings, and reliance on mass organizations as channels for information sharing and consultation proves problematic, since these tend to be weak in the poorest and ethnic minority areas.

**Proposal for utilization of a concrete participatory planning tool in the NTPs**

Despite the fact that the 133 and 135 programmes have requested the participation of communities in their planning and implementation processes, no clear guidelines on how to implement the principle have been introduced. At the same time, the NTPs have a great opportunity to inherit various participatory planning techniques, which have been tested through the donor-supported projects in different geographical and demographic areas.

The most common technique the projects funded by donors and NGOs have introduced is Participatory Rural Appraisal (PRA). Its modification, Participatory Learning and Actions (PLA) is being widely applied, such as in the UNDP HEPR project in Quang Tri and IFAD/UNDP project in Quang Binh. Under the projects, the PRA international tool has been used to sharpen best practice in the conditions of each area in the country. For example, the UNCDF/UNDP Rural Infrastructure Development Project (RIDEF) in Quang Nam simplified the PRA tool, and the so-called focal PRA is being used under the established Local Participatory Process (LPP), which consists of nine steps from problem and project identification to implementation, monitoring and evaluation.

It is proposed that the introduced participatory methods be studied for replication in the NTPs to practically implement the Grassroots Democracy Decree.

## 2. Challenges for the future

- To increase *community participation*, there is a need to clarify that community participation may involve more than contribution of local resources, i.e. that it includes actual involvement in decision making. A perception among authorities that poor people are able of giving meaningful inputs into decision making can be developed along with institutionalising the community participation.
- *Information* is crucial: promoting greater awareness of the decree 29/CP, informing people about their rights and program opportunities, making special efforts to ensure that information reaches women, minority and vulnerable groups, ensuring officials know what information provision is expected from them and that they will be held accountable for this. Representation of women and ethnic minority people in Steering Committees need to be increased in order to reflect the diversity of interests involved.
- To further to help peoples participation through the civil society, Vietnam requires a *Law on Associations on NGOs*, which offers a supportive environment, balanced with appropriate State oversight functions and accountability mechanisms. Simultaneously, sensitization and capacity building of government officials interacting with associations themselves, needs to be stepped up significantly, if these organizations are to fulfil their potential as partners to Government.
- To make the participation of the civil society and communities effective, there is a need to build their capacities in terms of organisation, human capital, physical capital and financial resources.

## 3. Objectives of the Civil Society and Community Participation Working Group

3. The main purpose of the Working Group on Civil Society and Community Participation is to support enhanced people's participation in the development process in Vietnam in order to ensure the efficacy, the equity and the sustainability of investments made in this process.

4. The objectives of the Group are:

- 1) to support the Government of Vietnam in its efforts to increase people's participation in their own development;
- 2) to improve the coordination of external assistance to the nurturing of participatory methods of development planning and implementation;
- 3) to foster a network for learning by doing and of information sharing about innovative new approaches to strengthen civil society and community participation in Vietnam;
- 4) to work towards a shared GoV/donor strategy in these areas; and,
- 5) to support capacity building for civil society and communities.

#### 4. Strategies and Activities

- a) *Promoting Dialogue*: The group should establish ways to open up a dialogue between Donors/INGOs and the Government Departments responsible for NGOs and commune based democracy, the indigenous NGO community and local community leaders. The group should find paths to operate on the principle of partnership.
- b) *Coordinating Assistance*: The group shall facilitate the coordination, in partnership with its various stakeholders, of the investments being made in support of an enhanced civil society and community participation in development. One way could be co-financing of workshops, training programs, research, studies or similar activities.
- c) *Information Sharing*: The group shall stimulate information sharing on lessons learned, good practice, events, projects, research, evaluations etc. within the area of enhanced civil society and community participation. The group may report on a regular basis to the government and the donor community on what is happening in the sector. The group should maintain a database on programming in the areas of civil society and community participation.
- d) *Action committees*: On concrete activities (such as workshops or studies), with an expected final product or outcome, the group may initiate and support the establishment of smaller action committees.

#### 5. Past activities

5. The first meeting of the Group was held in February, 1999. Since then the Group has met about four times annually. The Group has started to compile an inventory of donor activities related to civil society development and community participation. It has also begun to dialogue with the Government Committee on Organization and Personnel (GCOP) about the possibility of coordinated donor assistance in support of its NGO Department and its Local Authorities Department. The first of these is involved in drafting a law on NGOs and the second is responsible for implementing the Government's Decree on the Regulation of the Exercise of Democracy in Communes. In November of last year, several members of the Group supported GCOP in hosting a three-day best practices workshop for the members of the Drafting Committee of a Law on Associations and some of its stakeholders. A meeting between INGOs, some local NGOs and donors held in June, 2000 was also supported by the group.

#### 6. Planned/ongoing activities

- Hold regular meetings, bi-monthly or needs based.
- Stimulate and support other fora for dialogue between parties (LNGOs, INGOs, GOV, Donors, regional networks etc.)
- Continued dialogue with the Government Committee on Organisation and Personnel (GCOP) about the possibility of coordinated donor assistance in support of a legal and policy framework through its NGO Department.

- Continued dialogue with the Government Committee on Organisation and Personnel (GCOP) about possible coordinated donor support to the implementation of the grassroots democracy decree through its Local Authorities.
- Complete and maintain the inventory of donor activities related to civil society development and community participation.

## **7. Composition**

International and local NGOs, Bilateral and Multilateral Donors.

Currently, SIDA, CIDA, UNDP, Ford Foundation, Action Aid, Asia Foundation, Oxfam GB, Swiss Agency for Development and Cooperation (SDC), New Zealand, Konrad Adenauer Foundation, CECI, the Netherlands Embassy, DFID, Embassy of Finland and the World Bank are members of the Group.

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## **SOE REFORM & EQUITIZATION**

### ***What is the Background?***

1. The working group on state-owned-enterprise (SOE) reform was established to extend the work already been done by the working group on equitization; it has had only three meetings of the group, with participation by numerous donors and Government (e.g. NERC vice-chairman, MOF and MOLISA directors, etc). There has been limited NGO participation so far. The working group on equitization was established more than a year ago and has had regular meetings since then, exchanging views among donors, Government agencies and often consultants on various technical aspects of equitization.

### **1. What is the medium and long-term vision?**

2. The Government envisages an efficient, competitive and financially healthy and growing SOE sector in its draft Socioeconomic Strategy; this covers not only utilities but also manufacturing and trading enterprises. For this purpose it is important for the SOE sector to limit its losses and its accumulation of non-repayable debt. At the same time, it will be necessary to make SOE managers more autonomous and more accountable, so that they are encouraged to take effective measures to make their enterprises more competitive and more efficient. This has become imperative in the face of Government's agreement to open up trade and investment under the ASEAN free trade arrangement (AFTA) and the United State bilateral trade agreement (USBTA) that are to be implemented over the next five to ten years.

3. SOEs account for 30 percent of GDP, 25 percent of total investment, 15 percent of non-agricultural employment and about 50 percent of outstanding domestic bank credit. Currently there are 5,300 SOEs (nearly 500 recently equitized) employing around 1.6 million people. A Government survey of enterprises in late 1997 found that around 60 percent of 5800 SOEs were not profitable and the debt-to-asset ratio of a large number of SOEs was excessive. This situation deteriorated over two years of slow growth, low domestic demand and inadequate competitiveness. This year there are signs of a strong recovery in SOE output.

4. This situation follows a significant contraction of the SOE sector over the last ten years in the number of SOEs (from 12000 in 1990 to 5300 today) and in actual SOE employment (from 2.5 to 1.6 million today). Their share of GDP and in industrial output has fallen too in the last ten years, mostly due to growth of the foreign-invested sector but also due to growth of domestic private sector, mainly of household enterprises

### **2. What is the strategy to achieve the vision?**

5. In the words of Government's draft Socioeconomic Development Strategy (2001– 2010): "Government plans to make efforts to complete the program of rearranging, restructuring, and reforming managerial mechanisms to improve productivity in SOEs within 5 years. This includes equitizing SOEs where the state will not hold majority shares, in order to create more incentives for more efficient performance. In the equitization process, priority will be given for workers to access stocks, and at the same time to open stocks for outside domestic and foreign investors. Implementing the policy of sale, leasing or contracting of small SOEs, for which the

State does not need to maintain any ownership, will be part of these efforts. Merging or declaring bankrupt all ineffective SOEs, transforming SOEs into joint stock or limited liability companies, separating owners' rights and business autonomy of enterprises will be part of these efforts. Ensuring full autonomy and accountability in production and business activities for enterprises.....”

6. These proposed efforts at SOE reform in the draft Strategy are closely connected to reforms in the banking sector and to Vietnam's integration with the world economy. Reform of the banking system, which is also part of the Strategy, will require SOEs to perform efficiently in order to have continued access to bank-credit. Implementing commitments to integrate with the rest of the world through AFTA and USBTA, will require SOEs to take steps to become competitive in order to survive and thrive in the new environment.

7. To summarize, the Government's three and five year SOE reform program, that is awaiting final approval, seeks to do the following:

- Diversify ownership through equitization (i.e. sale of state shares) and divestiture of SOEs (outright sale of entire SOE or free transfer of an entire SOE);
- Liquidate SOEs that are classified as “ineffective” or non-viable;
- Restructure large SOEs that remain in Government hands through various measures aimed at increasing autonomy, enhancing accountability, monitoring performing closely, developing pilot restructuring plans for three general corporations, and by,
- assessing operational performance through “diagnostic audits” of large and troubled SOEs and taking actions on that basis.
- Establish an adequate and effective social safety net for SOE workers that become redundant.

8. **Diversify Ownership of SOEs.** Equitizing and divesting SOEs is a major plank of the Government's strategy for SOEs. Measures aimed at enhancing effectiveness of equitization include removal of caps on shareholding of individuals and entities as well as timely announcements of details of proposed SOE-sales to allow greater participation. Government has also been piloting ‘auctions’ and “competitive-bid-tenders’ as alternative methods of equitization in Haiphong.

9. Most of the SOEs to be covered by this component of the reform-plan will be small and medium-sized SOEs (with capital of VND 10 billion or less). To date more than 450 SOEs have completed their equitizations<sup>3</sup> Of these more than 60 percent have sold more than two-thirds of their shares to non-state shareholders.

10. **Liquidate non-viable SOEs.** Equitizing or divesting non-viable SOEs will be difficult and hence they will have to be liquidated to avoid SOE losses and accumulation of non-repayable debt. Identifying SOEs as non-viable is often not easy. To-date the progress in this area has been very slow; this is in part because of the reluctance of SOEs to identify themselves

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<sup>3</sup> Completed equitizations are defined here as those SOEs which have sold more than 51% shares to non-state shareholders, received a business license to operate under the Enterprise Law and have held the first shareholders meeting. This compares very well to the 17 that were completed by end-1997.

as non-viable but in part it is also because the legal framework and the procedures for bankruptcy and liquidation are vague and unclear. There is need to streamline the framework and the procedures before liquidation can be implemented effectively. The Government plans to establish an Asset Management Company (AMC) for banking reform, but it is not clear whether recovery of bad debts can involve liquidations as well. The plan thus envisages a gradual rise in the number of liquidations that will be implementable in this period.

11. Restructure SOEs that remain in Government control. Most of the large SOEs under the General Corporations will remain in Government control under this three and five year SOE-reform program. For reasons of national security and special interest, large enterprises, strategic enterprises, utilities, including public service SOEs, will remain under full state ownership. However various measures are contemplated aimed at improving efficiency and competitiveness. There will be mergers where possible as well as downsizing through removal of non-core operations. Corporate governance will be improved through corporatization of enterprises, increased autonomy and accountability of managers. There will be operational reviews or “diagnostic audits” and regular monitoring of SOE performance through an improved information-system. Reforms of private sector and integration with the rest of the world will expose these enterprises to greater competition and banking reform will harden their budget-constraints.

12. **Establish social safety net for SOE workers.** A major concern for the Government is the potential of labor redundancies arising from equitization, liquidation and restructuring. The Government has provisions under the labor law to provide compensation for redundancy, but is considering a more generous separation package comprising a severance payment, an option for early retirement, and retraining. A Restructuring Fund has already been established using proceeds from equitization, and further streamlining of the Fund rules is in process. Government’s reform plan envisages a potential redundancy of 400,000 workers over the five-year period. On average this will amount to 10 percent of the annual additions to the labor force and the total costs are unlikely to exceed USD 500 million for five years, and donors are willing to finance all of this cost.

### **3. What is the current and future role of different donors?**

13. Donors have been providing technical assistance and advice for the formulation and initial implementation of the SOE reform plan (see Annex for details). Advisory services and technical assistance for formulating the reform program has to date focussed on the following specific areas:

- assessing the current situation of SOEs and classifying them to determine measures to addressing their problems;
- revising decrees on equitization, divestiture, liquidation and so on;
- supporting the national Enterprise Reform Committee;
- conducting operational reviews (or diagnostic audits) of large and troubled SOEs by independent consultants;
- implementing SOE reform in line ministries and people’s committees;
- developing pilot restructuring plans for three General Corporations; and,

- developing a management information system to monitor SOE performance regularly.
14. Most of this assistance has been targeted at the National Enterprise Restructuring Committee, line ministries and people's committees with some going to Ministry of Finance.
15. Donors also plan to provide assistance to finance the costs of debt-restructuring of the SOE sector. This is to be done in conjunction with gradual re-capitalization of SOCBs over several years.
16. An assessment of the technical assistance that will be needed for implementing the banking reform program over the next three-to-five years is planned to be undertaken under the auspices of the working group.

#### **4. What are the key monitorable indicators?**

17. The following monitorable indicators have been proposed in different areas of reform:

(a) Diversifying ownership

- Share of employment and debt covered by SOEs that have been equitized/divested;
- Number of equitized and divested SOEs that have sold more than 65% shares to non-state shareholders;
- Number of equitized and divested SOEs where outsiders (i.e. not employees or managers) have bought more than 51% shares; and,
- Total number of SOEs equitized and divested.

(b) Liquidating non-viable SOEs

- Share of employment and debt covered by SOEs that have been liquidated; and,
- Total number of SOEs liquidated.

(c) Restructuring SOEs that remain in Government control

- Number of SOEs where diagnostic audits have been completed; and,
- Number of SOEs that have been downsized in terms of employment.

(d) Establishing social safety net for SOE workers

- Number of SOE workers that have received financing from the Restructuring Fund;
- Number of SOEs whose workers have received financing from the Fund; and,
- Number of workers receiving early retirement package.

**Annex: Donors' Current Support for Formulation & Implementation of Reforms**

<b>Donor &amp; Grant Amount</b>	<b><u>Purpose (Implementing Agency)</u></b>	<b>Status</b>
ASEM 1 European (WB administered) <i>US\$ 100,000</i>	Designing Social safety net program to deal with labor displaced by SOE reform (CIEM in coordination with NERC)	Completed
ASEM 4 European (WB administered) <i>US\$ 439,000</i>	Acceleration of equitizing and restructuring SOEs in the Ministry of Transport.	Consultants recruited. work begun
ASEM 5 European (WB administered) US\$ 1,470,000	Support implementation of SOE reform in three line ministries (industry, agriculture, and construction) and two provinces /municipalities (Hanoi and one other). (NERC)	Recruitment of consultants in process.
ADB <i>US\$3,000,000</i>	Corporatization and corporate governance of SOEs and SOE diagnostic audit	Ongoing
AusAid <i>US\$782,000</i> & IFC <i>US\$ 180,000</i> ,	Support a pilot program of divestiture of small SOEs in Haiphong (Haiphong People's Committee) using the auction process for equitization.	Under implementation.
Denmark (WB administered) <i>US\$ 340,000</i>	Advisory services, public awareness campaign, the establishment of a MIS for SOEs, and capacity building in NERC (NERC)	Completed in Jan 00.
Denmark (WB administered) <i>US\$ 340,000</i>	Advisory services on implementation of the decree on divestiture, and establishment and use of Support Fund for Equitization and Restructure (NERC)	Completed in July 2000.
Japanese Int'l Coop Agency -- SOE part <i>US \$250,000</i>	"Study on Economic Development Policy in the Transition Toward a Market Oriented Economy in Vietnam" (MPI)	Phase 2 – '97/'98 and its follow-up is ongoing.
Japan PHRD (WB administered) US\$ 218,000	Data collection and monitoring system for SOEs under SAC-preparation. It is also financing a survey of 350 SOEs (GDMSCAE, Ministry of Finance)	Completed in June 1999.
Japan Special PHRD (WB administered) <i>US\$ 4,120,000</i>	Diagnostic audits of selected SOEs to make recommendations (GDMSCAE, Ministry of Finance) for improvements.	Grant approved. Signing by Government awaited
Sweden SIDA administered <i>US\$ 1,300,000</i>	Support for implementation of SOE reform in Ho Chi Minh City (HCMC People's Committee)	Awaiting approval
UK (DFID) <i>UK Pound sterling 1,800,000</i>	Pilot restructuring of three general corporations – Vinatex, Vinacafe, and the Seaprodex (NERC)	Inception phase completed; next phase under discussion
UNDP <i>US\$2,145,800</i>	"Strengthening the Capacity of the General Department for the Management of State Capital and Assets in Enterprises", set up a MIS for SOEs (GDMSCAE, Ministry of Finance)	Resident Advisor in place.
UNDP <i>US\$2,382,800</i>	"Improving the Regulatory Environment for Business" provides assistance to the Central Institute for Economic Management (CIEM)	Ongoing. Expected to run to October 2001.
AusAid <i>US\$ 250,000</i> Denmark <i>US\$ 200,000</i> ; CIDA <i>US\$1,000,000</i>	Diagnostic Audits of large SOEs	Ongoing

## **BANKING REFORM**

### ***What is the background?***

1. This donor-government working group was formed recently and has met three times only. Prior to the formation of this group, discussions on banking among donors took place mainly through Bank-Fund briefing sessions on their discussions with the Government on the banking reform program in the context of the SAC/PRGF. The Government felt that it needed time to understand its problems, learn from external experience and develop a broad program of reform and then go to a broader group of donors to discuss its content and the need for support. Since the working group was formed, the Deputy Governor of SBV and Head of the Restructuring Committee has taken an active interest in this group and attended its sessions. The section on the vision and the strategy in banking is based on his presentation to the working group and on further work carried out at SBV and MOF on the ten-year Strategy in this area. Further work is planned by this group to assess the technical assistance needs in banking in the medium-term.

2. There are plans for this working group to expand beyond the banking sector to cover financial sector issues more generically as well. But given Government's own priorities, the initial emphasis on banking is viewed as appropriate by the working group.

### **1. What is the medium and long-term vision?**

3. The vision is to develop a sound and stable banking system that can mobilize savings effectively and channel them to efficient investments so as to achieve rapid growth and poverty-reduction. In the words of Vietnam's draft Socioeconomic Development Strategy (2001 – 2010):

4. *“Diversifying banking services -- mobilizing capital and lending; providing convenient and in-time services to all individuals and enterprises, supplying timely credit for production, business and other activities, including those in agriculture and rural areas – is the main purpose of the banking system. For this purpose, establishing a transparent, healthy and equal environment for all banking activities will be important. Supporting domestic institutions to improve their management capacity and skill in order to be able to compete with foreign partners will be necessary. Applying information technology, quickly expanding non-cash payment and automatic banking services, building a comprehensive legal framework that contains international principles and standards of banking activities, and improving supervision and inspection of the internal quality of credit institutions are among the measures that need to be taken. Solving the problem of outstanding non-performing debts, in parallel with strengthening legal and administrative institutions on borrowers' liabilities and lender's rights will be necessary to avoid the situation of credit panic.”*

5. *In the medium-term – say after the next five years – the vision has to be a more limited one. The banking system will be made solvent and competitive, with greater capacity for effective mobilization and allocation of resources. By then, there will be a relatively level playing field for all banks, creating greater competition and better banking services for all, especially Vietnamese firms that will face rising external competition. JSBs will have been consolidated into fewer but larger and healthier non-state banks competing for business with*

SOCBs that will also have become healthier and more commercially-oriented. Foreign banks and joint-ventures will also be competing in the same market.

6. To achieve this vision, many challenges will have to be met over several years. This is because Vietnamese banks – both state-owned-commercial banks (SOCBs) and non-state joint stock banks (JSBs)<sup>4</sup> -- suffer from technical deficiencies, including poor accounting practices, inappropriate regulatory and supervisory systems, limited tradition of commercial lending, as well as non-performing loans and low profitability. Past emphasis on policy and directed lending has led to a very high share of non-performing loans in total loans of SOCBs. An inappropriate regulatory and supervisory system – one that did not focus sufficiently on risk and loan-quality -- permitted JSBs to conduct related-party lending and high-risk lending. Also staff in both SOCBs and JSBs need more training to understand and learn about commercial lending – assessment of credit-risk for existing and new loans, acquiring and using information on borrowers – as well as international accounting standards to comply with the new regulatory framework to be put in place.

## **2. What is the strategy to achieve this vision?**

7. The Government has embarked on a five-pronged strategy to achieve this vision: address the problems cited above in order to develop a sound and stable banking system capable of delivering improved banking services needed for an industrializing economy. This will involve the following actions:

- Restructure JSBs to strengthen and bring them into full compliance with new regulatory standards;
- Restructure SOCBs to make them more commercially-oriented and more accountable;
- Improve legal, regulatory and supervisory framework, including accounting;
- Level the “playing-field” for all banks gradually; and,
- Train staff in supervision and in commercial banking, using different arrangements.

8. **Restructure JSBs.** The Government plans to consolidate these 48 JSBs (52 in 1998) into a fewer number through closures and mergers, and strengthen and rehabilitate several others. This process has been going on, though slowly, since late 1998. Depositors are being fully protected in the closures and shareholders are being asked to provide the additional capital required to be in compliance with the regulations. Three JSBs have been closed, two have been merged and several others are currently subject to special control or supervision by the State Bank of Vietnam.

9. **Restructuring SOCBs.** Success of the SOCB restructuring plan – which is critical to the achieving the vision given its size -- will require not only the resolution of the existing stock of NPLs, but also the adoption of reforms within each SOCB, to ensure that they operate commercially and that future NPLs are minimized. Thus for reform and operational restructuring of each of the four SOCBs, ensuring the shift to commercial-orientation will be

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<sup>4</sup> Four SOCBs hold 80 percent of the system’s liabilities and 48 JSBs around 15 percent and the balance by foreign and joint-venture banks.

key. The Government and State Bank of Vietnam are in the process of preparing the detailed restructuring plan for each SOCB to achieve that objective and this is expected this year.

**10. Improving legal, regulatory and supervisory framework.** Prudential regulations accompanied by effective supervision of compliance with those regulations are necessary to ensure that prudent banking will be conducted in future. Numerous regulations were adopted on collateral, on foreign exchange operations, on deposit insurance, on conditions for intervening in troubled banks, capital adequacy requirements and on bank inspection (including definition of the scope and responsibilities of the SBV's Supervision Department) have already been issued. But more will be done e.g. in terms of loan-classification and loan loss provisioning to meet international standards in terms of transparency and accuracy of financial statements on banks. Strengthening of SBV supervision will be key to ensuring that banks operate prudentially. Accounting standards that reflect the true financial conditions of banks is a prerequisite for effective supervision. Supervision should be risk-based and include on-site inspections as well as off-site surveillance through accounting and auditing. To ensure this Vietnamese accounting standards need to conform with international accounting standards (IAS) so as to ensure true and accurate information on the financial conditions of banks. Specifically, banks' loan classifications and loan/loss provisioning should reflect the credit risk of loans but existing accounting rules do not do that. Further improvements in the legal framework are also planned, to facilitate resolution of troubled loans.

**11. Leveling the playing-field for all banks.** Government's reform program wants to increase competition among banks, but it plans to do so in a gradual and managed manner. Already, banks are now permitted to compete on the price of their loans since interest rates have been made flexible subject to a cap. Restrictions on mobilization of dong-deposits have been removed for joint-venture banks but remain for foreign banks; they are expected to be gradually reduced for foreign banks too. Restrictions on types of foreign currency lending have been removed. This gradual leveling of the playing field is motivated by the SOCB restructuring process, which will make it difficult for them to compete effectively during the next three years. This gradual leveling of the policy-environment will be important in generating competition from joint-venture banks and wholly-owned foreign banks.

### **3. What is the current & future role of different donors?**

12. Donors have been providing technical assistance and advice for the formulation and initial implementation of the banking reform program as well as for strengthening the State Bank of Vietnam (see Annex for details). Advisory services and technical assistance for formulating the reform program has to date focussed on three specific areas:

- financial assessment of JSBs and development of a plan for closure/merger;
- independent audits of SOCBs and development of restructuring plans; and,
- design and content of prudential regulations and the supervision system.

13. Most of this assistance has been targeted at the Bank Restructuring Committee, with some of it going directly to commercial banks. In addition, there has been funding of training for SBV in the general area of economic management as well as for supervision.

14. Donors also plan to provide assistance to finance the costs of bank restructuring. In particular the gradual re-capitalization of SOCBs over several years are expected to be financed by donors.

15. An assessment of the technical assistance that will be needed for implementing the banking reform program over the next three-to-five years is planned to be undertaken under the auspices of the working group.

#### **4. What are the key monitorable indicators?**

16. There has been discussion of the specifics that need to be monitored but no agreement on the appropriate indicators.

(a) Improving legal, regulatory and supervisory environment

- Share of loans subject to international loan classification & loan loss provisioning standards
- Implementation of risk-based banking supervision
- Implementation of training of SBV staff

(b) Restructuring State Owned Commercial Banks

- Annual milestones under each restructuring plan
- Recovery Rate of NPLs
- Share of policy lending by SOCBs
- Share of NPLs based on independent IAS audits

(c) Restructuring Joint-Stock Banks

- Number of JSBs in full compliance
- Capital adequacy ratios of JSBs that are not in full compliance
- JSB credit to private sector as share of total JSB credit
- Restructure JSBs and progressively reduce their number

(d) Leveling the playing field

- Share of deposits that can be mobilized in local currency Dong

**Annex: Donors' Current Support For Formulation & Implementation of Reform**

<b>Donor &amp; Grant Amount</b>	<b>Purpose (Implementing Agency)</b>	<b>Status</b>
ASEM 1 Europe (WB admin) <i>US\$ 991,250</i>	Support improved transparency and financial information flows by assisting the Bank Restructuring Committee through support for loan workout teams, audits of selected joint stock banks, and strengthening of bank supervision through a resident advisor, training and seminars (State Bank of Vietnam)	Final Report is being prepared by consulting firm (Arthur Andersen) Final Report is being prepared by consulting firm (Gide Loyette Nouel)
ASEM 4 European (WB admin.) <i>US\$ 1,518,125</i>	Support diagnostic audits, due to diligence work for closures, develop supervisory framework and do operational restructuring action plans for 4 SOCBs (State Bank of Vietnam)	Bid invitation for 10 selected urban joint stock banks has been evaluated. Award awaited.
ADB <i>US\$900,000</i>	Strengthening corporate governance at the Vietnam Bank for Agriculture	Nearly completed.
AUSAID <i>US\$ 340,000</i>	Diagnostic audit of Bank for Agriculture and Rural Development for (State Bank of Vietnam)	Completed.
Japanese PHRD <i>US\$ 1,282,400</i> (WB admin)	Support the design and establishment of asset resolution mechanisms for restructuring banks (SBV)	Report on content of Restructuring Plans for 4 SOCBs completed by Vinstar Limited
Japanese PHRD <i>US\$ 300,000</i> (WB admin)	Support for review of existing banks supervision procedures and recommend revisions to strengthen supervision	Completed
German <i>DM 11,000,000</i> (GTZ admin)	Support to the reform of the Vietnamese banking system (State Bank of Vietnam)	Project is being implemented.
Netherlands	-Support to independent audit of one SOCB and to study tours to learn about audit and regulatory structures in other countries (State Bank of Vietnam)  -Offer to finance twinning arrangements for one SOCB and other support to restructuring	Completed  Discussion ongoing
Switzerland <i>US\$250,000</i>	Support to training seminar/workshops in country for central bankers in foreign exchange, monetary analysis, banking etc...	Ongoing
France	Credit Line	
Canada	Support to strengthening People's Credit Fund	
European Union	Provision of credit line	

## **SMALL AND MEDIUM ENTERPRISE (SME) PROMOTION AND PRIVATE SECTOR DEVELOPMENT (PSD)**

### **1. What is the long-term vision?**

1. The draft of a Socio-Economic Development Strategy (SEDS) 2001 – 2010 of the Central Committee of the Communist Party of Vietnam (SEDS) is “**aimed at accelerating industrialisation and modernisation in the socialist orientation and creating a foundation for Viet Nam to become an industrialised country by 2020.**”<sup>5</sup> The GDP will be doubled from 2000 to 2010.<sup>6</sup> At the same time Viet Nam faces serious challenges in employment generation with unemployment figures at more than 7%, underemployment around 30% and an expected growth of the workforce of 11 million people over the next 10 years. Since unemployment and underemployment are major factors contributing to poverty, the creation of new jobs is crucial for the reduction of poverty.

2. In order to accomplish these aims the SEDS emphasises the importance of SMEs and private enterprises, especially in view of their widely accepted role in employment and opportunity creation for the poor. Today, SMEs generate approximately a quarter of GDP, employ around 50% of the Vietnamese labour force and are the fastest growing type of enterprise in terms of number. A flourishing private sector and a growing number of SMEs could accommodate new workers as well as labour made redundant by the ongoing reform of the State Owned Enterprises (SOEs), could be the key engine of economic growth, contribute to export growth and play a vital role in the modernisation and industrialisation of Vietnam. Therefore the Government should support the further development of the private sector and SMEs, the playing field between SOEs and private companies should be leveled, and the business environment in general be enhanced by:

- simplifying the tax system,
- streamlining administrative procedures,
- reducing red-tape and corruption,
- restructuring the banking system,
- supporting measures for enterprises by strengthening already existing or, when necessary, creating additional institutions.

3. Special focus needs to be directed to SME development in rural areas where non-agricultural jobs are scarce, underemployment is high and poverty widespread.

4. Before private sector development and SME promotion were included in the SEDS, the Prime Minister’s Research Commission on SME Promotion Policy (PMRC) was established in 1999 and various studies have been conducted. Some of the latest studies include: “Improving macroeconomic policy and reforming administrative procedures to promote development of small and medium enterprises in Vietnam” (1999) by MPI and United Nations Industrial Development Organisation (UNIDO), funded by the Government of Germany, and “Study on the

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<sup>5</sup> Central Committee of the Communist Party “Socio-Economic Development Strategy 2001-2010” (draft) p. 1

<sup>6</sup> Central Committee of the Communist Party “Socio-Economic Development Strategy 2001-2010” (draft) p. 6

promotion of small and medium scale industrial enterprises in the Socialist Republic of Vietnam” (1999) by Ministry of Planning and Investment (MPI) and Japanese International Co-operation Agency (JICA). In addition the Private Sector Promotion Action Plan (PSPAP) was agreed upon between Vietnam and Japan, in 1999.

## 2. What are the key steps needed to attain this vision?

5. Since the 1992 Constitution, which recognised the right of freedom of business and equality before law for all sectors of economy, several steps have been taken by the Government in the direction of private sector and SME development. Most recently the SEDS, the PSPAP and a *draft* Governmental Decree on SME Promotion Policies Structure provide details how the Government plans to attain this vision. The fields of action can be clustered in the following five topics: enhancing the legal environment for SMEs; strengthening of existing and/or establishment of new institutions; easier access to capital; trade promotion and export development of SME/private enterprises; and, the image of the private sector.

### 2.1 Enhance legal environment for SMEs

6. In order to demonstrate clear commitment and to outline the strategy for SME promotion the Government announced its intention to promulgate a **Decree on SME Promotion Policies Structure**. It will provide guidelines on the support measures for private enterprises and SMEs covering areas such as encouragement policies and the set-up of support institutions. The Decree, which was originally planned to be promulgated in 2000, should be promulgated without any further delay.

7. Facilitate **the establishment of new SMEs and make administration procedures simpler and more transparent**. The SEDS acknowledges the problem concerning bureaucracy and complicated procedures. It is stated that “administrative reform must focus primarily on removing all bureaucratic regulations and procedures that hold back the development of productive forces and cause trouble to enterprises and people.”<sup>7</sup>

8. In January 2000 the **New Enterprise Law** came into effect<sup>8</sup>. For the first time ever it permits non-discretionary registration of private firms, instead of Government approval, eliminates bureaucratic steps and regulates the approval of establishment of a new business, which has to be decided within 15 days of the submission of the application. This is a very important step in the right direction. However, implementation and enforcement of the New Enterprise Law is not yet consistent. Even though the Government has abolished many licensing requirements a great number of licenses still need to be obtained, depending on the field of business. Currently the Government is continuing its work to eliminate unnecessary licenses. Especially at provincial and local levels, the implementation of the New Enterprise Law needs to be further enforced, and additional instructions need to be issued by the Government.

9. Improving the situation concerning **land use rights**: Unclear and cumbersome procedures make it very difficult for private SMEs to acquire land. This presents a major obstacle, since access to land use rights is essential, especially to private enterprises as collateral for accessing credit. In order to improve access to land, the following steps are necessary: i) clarify and speed

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<sup>7</sup> Central Committee of the Communist Party “Socio-Economic Development Strategy 2001-2010” (draft) p. 30

<sup>8</sup> Resulting in the establishment/registration of more than 10,000 new enterprises during this year.

up procedures for land title allocation; ii) unify and modernise registers for land and buildings; iii) reduce heavy fees and taxes on registration; iv) provide clear, simple and fair procedures for resolving disputes.

10. **Level the playing field for SOEs and private enterprises:** As recommended in the SEDS, implementation of equal terms for all enterprises regardless of ownership should be carried out as soon as possible in all relevant fields, e.g. related to bidding for Government procurement, access to land and credit etc.

11. **Simplify tax system:** Vietnam has undertaken tax-reform, but the current system is still too complicated and non-transparent. Appropriate tax-reforms should be undertaken and aimed at i) a simplification and increased transparency of the tax system, ii) reducing tax on high-income earners to a level at/or below that of other ASEAN countries and iii) ensuring that all enterprises are treated equally regardless of ownership as suggested by SEDS.<sup>9</sup>

*Table comparing Vietnamese tax rates with other ASEAN countries.<sup>1</sup>*

Country	Individual Income Tax (% of net personal income)	Corporate Income Tax (% of net profits)
Singapore	2-28	26
Malaysia	2-30	30
Indonesia	10-15-30	10-15-30
Philippines	1-35	35
Thailand	5-37	30
Vietnam	0-50 on foreigners 0-60 on Vietnamese	15-20-25-32

*Source: MPI/UNIDO 'Improving macroeconomic policy and reforming administrative procedures to promote small and medium enterprises in Vietnam'.*

12. **Promote electronic commerce:** As in many other countries, E-commerce could play a vital role in Vietnam in the future. Currently however, especially in rural areas, lack of proper telecommunication, hardware and software, training, human skills and access to appropriate technology constitute major obstacles to the development of e-commerce especially for SME. Today only 72,000 Internet connections are registered in Vietnam. Therefore all efforts should be made by the Government to improve the current situation.

## ***2.2 Strengthening of existing and/or establishment of new relevant institutions***

13. Ministries and agencies involved in industry, planning, education and training, such as the Ministry of Industry, Ministry of Planning and Investment, Universities etc. are still geared towards support of the State Owned Enterprises (SOEs). Therefore all these organisations should shift their focus towards the private sector and SME in order to enhance the general environment.

<sup>9</sup> Central Committee of the Communist Party "Socio-Economic Development Strategy 2001-2010" (draft), p. 21

14. Apart from access to capital most SME entrepreneurs consider lack of access to technical and market information, lack of skilled labour and know-how as main obstacles. Therefore concrete measures should be taken in order to enhance the business environment for SMEs by strengthening the existing organisations and/or establish new relevant organisations, if appropriate.

15. Perhaps the most important measures, which have already been agreed upon but still not implemented, include the establishment of a national **SME Agency**, which will co-ordinate a consistent SME development and which should be established within the next one or two years. In similar fashion at the national level a **Council for Private Sector Promotion** to be established will provide a forum for a regular dialog between the parties concerned. The Council - with participation from relevant organisations/institutions such as Government agencies, local authorities, business organisations/associations and representatives of private sector and SMEs - will also provide advice on private sector and SME encouragement policies and programs.

16. Taking into consideration the importance of mechanical engineering as a vital part of industrialisation and modernisation of Vietnam and enhancement of technical know-how of entrepreneurs the Government has decided to establish three **Technical Assistance Centres** (TACs) (in North, Central and South Vietnam). The TACs will not only concentrate on the enhancement of technical know-how but will support industrial sub-sectors such as textiles, ceramics, rubber/plastics, food processing and craft products, by providing engineering experts with experience in the specific area especially for SMEs.

17. It is furthermore necessary to establish an information system to provide data on the latest development for private enterprises by the **Information Centre for Private Enterprises**. On the provincial and local level the authorities should be encouraged to incorporate private sector and SME promotion into their local development plans. In addition appropriate institutions on the provincial and local level should be established or strengthened in order to support the private business environment.

18. Additional concrete measures should include a strengthened provision of **Business Development Services** (BDS) to assist the PS and SMEs improve their access to resources, markets, new technologies, qualified labour etc. International experience shows that a growing number of private companies are the most flexible and effective providers of BDS to the diverse and fast changing demands of the private sector. It should be noted that a number of public organisations including business associations, which provide these services already, exists in Vietnam and that they should be part of the future support to the BDS market as well. Since many SMEs are not aware of the existence of and benefits from BDS and/or are unable to pay market rates, the development of a well functioning BDS market needs to be supported by the Government and/or local authorities.<sup>10</sup>

19. In many countries **business associations** are playing a crucial role in identifying and advocating the needs and demands of the business community and in establishing a policy dialogue between the business community and relevant authorities. This has been acknowledged by the New Enterprise Law, which regulates, and the draft Decree on SME Promotion Policies Structure, which supports, the establishment and operation of private business associations.

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<sup>10</sup> Examples for support measures are the establishment of voucher schemes to enable SMEs to purchase Business Development Services; product development; awareness raising; market making etc.

However the establishment of new business associations is still a cumbersome process and the Government is currently working on streamlining the regulations for the establishment of new business associations.

### ***2.3 Easier access to capital***

20. One of the major constraints for private SMEs in Viet Nam is the shortage of funds. Private SMEs are lacking long-term loans, an equity financing system and access to collateral. The strict collateral requirement by banks and the low incentives for State Owned Commercial Banks (SOCBs) to lend to SMEs and on the other hand the unwillingness of private SMEs to deal with SOCBs are serious constraints. This generates a vicious circle, which prevents many SMEs from entering the formal credit sector, and forces them to rely on informal credit.

21. The PSPAP includes more than 40 measures planned to diminish the constraints described above. It is based on three common principles i) defining Government policy to promote the private sector, ii) securing equal treatment for private enterprises vis-à-vis SOEs, and iii) granting private enterprises freedom to conduct business within the laws of Vietnam. Some of these have already been implemented such as the promulgation of the **Decree on the Lending Guarantee**, the **Circular related to the Auction System** and the **Decree Liberalising Transactions involving Land Use Rights** in 1999 and the establishment of the **Stock Exchange Centre** in 2000.

22. Others key steps to achieve further improvement in the financial environment for SMEs are the creation of a **Two-step Loan Fund** and a **Credit Guarantee Fund**. An agreement for a Two-step Loan Fund was signed between the Japan Bank for International Co-operation (JBIC) and the Government of Vietnam in 1999. It intends to provide long-term credit to SMEs through selected participating financial institutions (PFI), including joint stock commercial banks. The loan fund is now at the preparation stage for releasing the fund to those PFIs. It is expected that 70% of the beneficiaries from this fund will be private SMEs. The draft **Decree for the establishment of a Credit Guarantee Fund for SMEs** is also expected to be finalised this year. This Fund will further enhance financial institutions to lend to SMEs by absorbing a part of the credit risk, thus alleviating the current constraints of their insufficient collateral capacity.

23. There are also other measures proposed to be taken for further improvement of the regulatory framework on lending, mortgaging, leasing etc., and the pending banking sector reform will provide SMEs with better access to credit as well.

### ***2.4 Trade promotion and export development of SMEs/private enterprises***

24. The promulgation of three new implementing Decrees related to the New Enterprise Law in 2000 and the removal of some quantitative restrictions in import management represents a significant step forward in improving the trade and business environment for private sector development and SME support in Vietnam. Export licensing and trade management by quota is becoming less important than in the past. However some of the quotas now accessible to private enterprises need to be further opened up, and the bidding system should be more transparent. Also, special attention should be directed at the proper implementation of the new decrees, regulations and instructions of the Government.

25. At present, the major obstacle preventing SMEs from seizing trade opportunities is their limited experience of global trade. Fragmentary knowledge and understanding of foreign markets are some of the basic trade barriers. This applies not only for information about management accounting, technical requirements, marketing skills, import regulations and consumer preferences, but also for assessing the suitability of imported goods. Limited language skills of the entrepreneurs are also a problem. Lack of these fundamental skills could be a severe problem when Vietnam integrates in the global economy in the coming years.

26. Overcoming these difficulties requires not only an extended exposure of Vietnamese entrepreneurs to the world market, but also an intensive teaching and training of SMEs by organizing study tours, fellowships etc. in neighboring/foreign countries.

27. Beyond the information gap, the low level of competitiveness and the restricted ability to produce larger numbers of identical items of similar quality and on time are other severe trade barriers for local SMEs. Therefore, tailor-made quality management systems have to be propagated and implemented in order to enhance SMEs export opportunities.

### ***2.5 Image of the private sector***

28. The image of the private sector has to be improved in the country. The vital role of private companies for employment generation and modernisation of Viet Nam should be acknowledged and disseminated through the media and the educational system at all levels.

### **3. What should the role of different partners be?**

29. To enhance the environment for the private sector and SMEs is a very broad task, which concerns many players.

- The Government should be the facilitator in the field of private sector development by establishing the right legal framework and favourable/supportive business environment, and providing and/or channelling necessary domestic funds and foreign aid towards the market. The Ministry of Planning and Investment (MPI) is the designated Government agency to study the strategic orientation and propose proper policies for private sector development and SME promotion, also chairing the PMRC since 1998. Other important government players include the Ministry of Finance (MOF) (tax issues), the State Bank of Vietnam (access to capital), Ministry of Trade (MOT) (Trade, Import and Export), Land Administration Authority (land use rights), Ministry of Education and Training (MOET) and Ministry of Labour, War Invalids and Social Affairs (MOLISA) (training), Ministry of Science, Technology and Environment (MOSTE) and Ministry of Industry (MOI) (technology transfer) etc. On the provincial and/or local level the relevant departments of the People's Committees are the key players in the local policy field.
- The business organisations/associations should play the role as the 'voice' of the private sector in the policy dialogue between the business community and the government authorities.
- The commercial and non-commercial, private and public BDS providers (Vocational Training Schools, Universities, Business Schools, Co-operative Unions, Service and Information Centres, consultants etc.), and also business organisations (such as

VCCI, UAIC, associations and clubs), are important players in the field of capacity building.

- Due to the dynamic development in this field many donors, international organisations and NGOs are currently supporting PSD and SME, and others have expressed their interest to provide assistance/funding in the future. Therefore the PSD/SME Working Group is planning to carry out a survey on ongoing and future pipeline programmes/projects in the near future.

### ***3.1 Short summary of ongoing projects and donor activities on PSD and SME***

- Governance, policy and legal advice: Germany, UNDP and UNIDO, Germany (GTZ); Japan.
- BDS and export promotion: ADB, Canada (CIDA); Denmark; EU; Germany (CIM, DED, HWK, GTZ, UNESCAP/AAIEP, ZDH); Holland (SNV); IFC (MPDF); ILO; Italy; Sweden (SIDA); UNIDO and many NGOs.
- Strengthening and building up of institutions: Germany (ZDH)
- Access to capital: EU; Germany (DEG, KfW, GTZ); IFC (MPDF); Japan (JBIC); Sweden (SIDA); World Bank, ADB.

## **4. What are the key monitorable indicators?**

30. The monitoring of the implementation of the above-mentioned key steps by the Government together with the donor community is a vital issue. Indicators should be established in all these areas:

- (i) an enhancement of the legal environment,
- (ii) strengthening/establishing relevant institutions,
- (iii) ensuring easier access to capital,
- (iv) easing import and export for SMEs and private enterprises
- (v) improving the image of the private sector.

31. Deadlines for the successful implementation, and measures to be taken, of the Private Sector Promotion Action Plan have been already agreed upon as part of the bilateral agreement between the Governments of Japan and Vietnam. These deadlines could be used to analyse the pace of the process in the future.

32. The development of number, output and employment generation of SMEs and private companies and their sustainability can be used as indicators.<sup>11</sup>

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<sup>11</sup> In case the number of newly registered enterprises is taken as an indicator, it should be mentioned that many of these newly registered companies have been operating already before the promulgation of the New Enterprise Law, in the form of household enterprises. In general the current data available on SMEs cannot be considered sufficient and accurate. Therefore the General Statistics Office (GSO) of Vietnam and UNIDO are planning to establish a new system to improve the data concerning the industrial establishments including SMEs.

33. During the last years various surveys and research work have been conducted by different organisations, describing the views of the business community concerning the business environment. The recommendations and results of these surveys should be used in monitoring the Government's success in its continued efforts to support the development of the private sector and SMEs in Vietnam.

## EDUCATION

### *Introduction*

1. This short sector note summarizes government's goals and ongoing donor<sup>12</sup> support to education in Vietnam. It focuses mainly on basic education and has four short sections. First, it summarizes the Government's long-term vision for the sector. Second, it examines "how" to reach this vision, and suggests some key strategic choices or realignments to reinforce the feasibility of the program. Third, it summarizes current and future roles of national and external partners, and indicates steps to reinforce partnership and collaboration. Finally, the note lists indicators and their target values for Vietnam's education sector over the next ten years.

### **1. What is the long-term vision for education?**

2. The long-term vision for education and training of the Government's draft 2010 strategy lists multiple objectives, among them:

- broad intellectual development for all citizens enabling each to participate actively, innovatively and flexibly in a fast evolving and growing economy.
- specific learning goals include: (i) independent and creative thinking; (ii) self-discipline and social responsibility; (iii) control and use of science and modern technology; (iv) teamwork and community skills and spirit; and (v) healthy and harmonious living.
- improvement of the quality, effectiveness and availability of education, together with increased responsiveness to provide the manpower required for a modernized and industrialized Vietnam while, at the same time, meeting the educational aspirations of all segments of the population.
- consolidation of achievements in universal primary education and literacy; expansion of physical facilities to achieve full-day primary schooling; universal lower-secondary enrolment; further development of vocational education; and creation of some high-quality education institutions that meet regional and international standards.
- strengthened teaching and managerial staff in education and training; and use of information technology in education by connecting schools to the internet by 2010.

3. This broad vision for education is owned by the government -- through the Ministry of Education and Training (MOET) and its institutes. The MOET and its National Institute for Education Development presented and discussed this strategy with government agencies and with Vietnam's development partners in August 2000. Quantitative targets for different levels and types of education taken from the 2010 strategy paper are listed in section 4 (clarification on some quantitative targets would be useful -- e.g., the definition used to date by Government for

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<sup>12</sup> A commitment to improved coordination was made by participants during the Consultative Group (CG) meeting of December 1999 and repeated at the informal CG meeting in Dalat in June 2000. Guidelines for the preparation of these notes were endorsed by the Ministry of Planning and Investment and circulated to Vietnam's development partners.

universal primary education differs from that adopted internationally. Nevertheless, these targets have attracted the interest of a large number of external partners).

4. The broad scope and wide range of goals implicit in this vision make it difficult to assess coherence and to identify and resolve inconsistencies. Greater prioritization and clarity, and in some cases revision, would make the choice of critical steps to reach the vision easier. Introducing consistency and coherence and resolving the incompatibilities and conflicts between competing goals, while retaining this broad agenda, will place strain upon the system. Several commentators, both national and external, have suggested the need for selectivity and a smaller set of core goals. Sector management is working to address these comments and to further focus the strategy.

## **2. What are the key steps required to achieve this vision?**

5. The Government's 2010 strategy lays out some actions, choices and principles to guide and govern movement towards the vision. It specifies four key "break-through" actions:

- constantly reform curriculum, teaching and training methods, and education organization.
- improve the managerial capacity of the education system, making it more effective and responsive to its new role in a changing environment -- providing education services, monitoring and evaluating system performance as well as its elements.
- targeting investments to: (i) create some high-quality institutions; and (ii) generalize lower-secondary education, while (iii) supporting disadvantaged areas and individuals.
- mobilize more non-state resources for education through charges and fees (socialization) following the principle that the higher up the education ladder, the greater the degree of non-state resource mobilization.

6. These principles and actions are well chosen and some steps have been translated into operational targets. But there are some omissions or missing steps in the draft strategy. Additional prioritization is needed to ensure policy coherence and compatibility across all objectives and to choose which steps meet government's goals and its equity commitments in education. Six additional policy choices would make the definition of the key steps easier.

7. First, it would be useful to introduce a clear and categorical statement on the roles of the state (central/local government) and the private sector in education and training. Government's strategy welcomes private financing of the sector (both the education law and decrees on foreign-owned investment in education provide for an increased financing role for the private sector). However, in practice the attitude to private provision of educational and training is mixed. What is missing is the enabling environment that promotes private sector provision of education and training. With a clearer statement on the roles and responsibilities of the state and the non-state providers of education, several actions would become clearer. If the state passes greater responsibility to private and public sector employers to provide technical and vocational training to their workers, through alternate training/work-experience courses, in-service and related practical training (in effect asking both private and public sector business to provide vocational training for the labor force they need), then the state could focus its own efforts on providing literacy and basic education and ensuring that equity, quality and performance targets are met throughout the system.

8. Second, the choice of key steps would be clearer if the overall financing strategy for education sector gave more detail about the expected level of state, non-state partners, and beneficiaries and their families. The strategy sets targets for the proportion of the total state budget allocated to education (to rise from 15% to 20%). But a more equitable geographic distribution of state resources on education spending requires analysis and possible revision of the allocation of local taxes and levies to improve fiscal equalization across provinces.

9. Third, procedures for targeted support to priority programs and/or disadvantaged groups need to be put in place. The overall financing strategy needs to take into account levels of household expenditure on education and the assumptions made by government about cost recovery or “socialization”. On the latter, the government’s present strategy requires high levels of financial participation from households in basic education but does not contain a mechanism to protect the poor from a disproportionate financial burden. Relaxation of such assumptions for the poorest is needed urgently. In addition, targeting in education must go beyond the financing issues and address the need for quality education and training for ethnic minorities and the gaps in quality of education achieved by different regions, income and gender groups.

10. Fourth, further details are needed to guide choices on curriculum content, learning techniques and instructional methods. Moving away from the past approach of “static” learning (a system that relies almost exclusively on the application of memorized facts to predetermined situations), to a modern “dynamic” knowledge system (that has the flexibility to adapt to uncertainty and a continually changing environment and that includes improved, problem solving, team and communication skills) will require some relaxation of the present tightly controlled curriculum. Instructional methods in the “dynamic” knowledge system are more time-consuming and the move to the new curriculum will require streamlining curriculum content and a substantial increase in effective instructional time (extending the school day and academic year). The move to a knowledge society requires broader information flows and liberalization of internet access.

11. Fifth, to be complete, the strategy needs to develop basic performance standards for all learners, teachers and institutions, and ensure that these basic standards are met. Presently, the strategy does not define a minimum guaranteed national performance standard for every pupil in basic education. Instead, the system relies on a long tradition of excellence for a few, with very high performance targets for talented students (a tiny proportion of the total learners). It places most emphasis on monitoring inputs (norms for physical space, room size, playgrounds, etc.). The system now needs to move from monitoring inputs to outcomes, to define these outcomes in terms of an expected level of performance for the majority of learners, and to ensure that such standards are revised and updated regularly. It needs to put in place monitoring and quality assurance activities that will ensure that such standards are consistently met in all institutions.

12. Finally, as choices on the role of the State become clearer, as the roles and responsibilities of the various stakeholders are clarified, as greater coherence, focus and selectivity are introduced, then questions about the institutional structures and the related procedures will need to be answered. The strategy is currently silent on this and does not yet propose adjustments in the institutions responsible for implementing the 2010 vision. One possible choice would be to disengage the sector ministry from daily provision of education services and move responsibility for the delivery of educational services closer to the learners, thus allowing the sector ministry to concentrate on setting educational policy, standards, and

providing quality assurance. This will require capacity building in quantitative and qualitative education analysis: e.g. collection, analysis and interpretation of geographic, income, gender, and ethnic disaggregated statistics, analysis of policy planning and budgeting processes as well as outcomes, and drawing policy implications.

### 3. What should the role of different partners be?

13. Donors have not yet examined their current programs or started to redirect their support to implementing the strategy. Many ongoing or planned education projects were not developed specifically to implement the government strategy, but they may fit into this framework. A summary mapping of external support programs to education and training is given as follows.

Education level/type	Major sources	Other sources
Pre-school	UNICEF	Some NGOs
Primary	EU, IDA-WB, JICA, UNICEF	Oxfam, Save-the-Children, Norway, UK/DFID
Secondary	ADB	
Technical & Vocational	ADB	France, GTZ, Netherlands, JICA, CIDA, AusAID, Korea, Spain, Nordic countries
Teacher Education	ADB, IDA-WB & DFID	Belgium, Oxfam, Save-the-Children, (DFID & AusAID English language programs)
Higher & University	IDA-WB, AusAID/scholarships,	JICA, Canada, Netherlands and other direct university-to-university arrangements
Research		Canada, Ford Foundation, SIDA, UNDP and UNIDO

14. To date, partnership in education among donors and between the donor community and government has been either (i) information exchange, or (ii) informal coordination between specific agencies. After a hiatus of two years, the “Education Forum” has been reactivated and provides a highly successful mechanism for information exchange on themes that interest its majority membership (NGOs -- minority and basic education issues). Recently, topics have been broadened and, through key presentations from government on their plans and programs, the Forum’s meetings have demonstrated partnership and engaged the government in the Forum. Outside the Forum, the strategy for coordination followed by larger donors has been to avoid duplication and overlap by selecting levels/types of education or specific geographical areas. There has also been some inter-agency coordination around some donor programs. This approach has worked well, but integration of donor programs and their coherence with each other and with government’s programs has been limited by the absence of a strong coordination mechanism. For such coordination to take root, the sector ministry will need to be empowered and reinforced so that such pro-active donor coordination is eventually led by government.

15. Donors acknowledge the need for increased coherence across all education programs and better alignment of external support with the government’s program. Several donors are discussing strategies that would move beyond the information exchange --ably provided through the Forum-- to support a coordinating mechanism that builds upon a common set of coherent, mutually reinforcing strategies that are applied to external support programs. Actions under discussion to advance this increased partnership include: (i) an annotated inventory of externally

funded projects/programs by level, type of education and objectives (expansion, renovation, content reform, etc.); (ii) internal review by all donors of their future programs (pipeline review); (iii) mapping of the Government's sector strategy and the donor programs onto a coherence matrix to identify mismatches, inconsistencies and conflicts; (iv) a period for donors to adjust and realign external support programs; and (v) grouping and packaging of donor activities into broad coordinated sector-support programs.

16. Themes that provide an opportunity for strengthened collaboration between partners and could contribute to increased policy coherence include:

- Ethnic minorities NGOs, UNICEF, IDA-WB
- Management information systems EU, NGOs, UNICEF, DFID, IDA-WB
- Revisions of budget allocation norms UNDP, IDA-WB
- Measurement of achievement IIEP, IDA-WB, ADB, EU

17. A long-term goal for such a coordinated approach could be to move from free-standing traditional capital investment projects to programmatic support with major partners sharing information and jointly designing with Government a program of support for basic education. Several donors are currently exploring this approach (IDA, DFID, JICA, AusAID & CIDA) through a possible program of support to basic education for disadvantaged children that would consolidate universal primary education achievements and complete the move to universal primary education in difficult and resource-poor areas.

#### 4. What are the key monitorable indicators of progress for short/medium term?

18. Several of the monitorable indicators are written into the Government's strategy. These not only show the focus and emphasis of the Government's program but they provide quantitative targets that can be used to assess the magnitude of the program and the resource requirements.

<u>Enrolment:</u> (dis-aggregated by income, ethnic, and gender groups)	2005	2010	
• 3-5 year pre-school children	58	67	% of
• 5-year-children	90	98	the
• primary net enrolments	95	98	official
• lower secondary net enrolment	82	90	age-
• upper secondary net enrolment	45	50	group
• post-lower-secondary enrolment in vocational training	15	25	
• technical training enrolment after upper secondary school	10	15	
• number of students (higher education) per 10,000 population	140	200	

#### Content and Quality: (dis-aggregated and national figures)

- introduction of new primary curriculum in 2000/01 and trial of textbook lending 2000/02;

- pilot trials of lower secondary curriculum 2001/02;
- new (full) curriculum coverage (% of children to be taught by new curriculum) by levels;
- assessment of national standards in maths and reading students and teachers;
- % of children from the two lowest income quintiles that have free textbooks;
- 40% of primary teachers with college qualification ;
- 60% lower secondary teachers with university degree ;
- 10% upper secondary teachers with masters degree;
- 45% university teachers with masters degree and 25% with PhD degree;
- % of labor force with higher, technical/voc. ed. increased to 32% (2005) & 42% (2010).

Infrastructure:

- one well-equipped lower secondary school in each commune;
- one upper secondary school and one vocational/training center per district;
- 2 new universities established in 2005 and 4 in 2010.

Finance:

- public spending on education increased to 20% of total expenditures;
- move to per pupil budget allocation method;
- increase fees to between 3% and 25% (depending on level/type of education);
- linking financing responsibilities by type/level of education to different administrative structures (pre-school from local communities with some state assistance; primary free but with discretionary charges for additional services / second half of optional full school day in urban areas; districts & communes responsible for basic education infrastructure; provinces for secondary infrastructure with state aid to poorest communes);
- 20-40% of lower secondary enrolments in semi-public and private schools.

Partnerships and cooperation:

Immediate process indicators for partnership and coordination include:

- (i) re-activation of “Education Forum” (completed);
- (ii) discussions on the government’s 2010 education strategy paper (underway);
- (iii) formulation of a framework mechanism to increase coordination by government;
- (iv) use of the UPE/EFA program as an integrating theme;
- (v) move to programmatic external support in basic education.

## HEALTH

### *History*

1. A first “donor co-ordination” meeting was held in March 1997 after a lengthy period of preparations. The meeting gathered over one hundred persons from the Ministry of Health (MoH) and the majority of the organizations working in the health sector in Viet Nam. A few months after the meeting, in January 1998, the Minister of Health established a new department in the Ministry of Health: the “Project Coordination Department” (PCD). The PCD has been very successful in improving coordination and in organizing the International Support Group (ISG) meetings. The purpose of the meetings is to provide an informal forum for exchange of information, discussions and recommendations on health sector support between the MoH, international organizations and the donor community. The ISG-meetings started in 2000 and will be held regularly on a 3 monthly basis. Three meetings have so far taken place in accordance with the timetable. The MoH and all the participants recognized that these meetings have contributed greatly to restoring the quality of partnership and the relationships between the MoH and the donor community.

2. Before the creation of the ISG meetings, the elaboration of a Vietnam Health Sector Review brought the MoH and some of the core donors together during 1999. The Review was a joint donor-MoH activity executed by the World Bank. A working group was established to review the background reports and the draft Review. A number of meetings were held that concluded in a final “Health week” where the background documents were presented and discussed with invited experts. The Review is now being finalized in close collaboration with the MoH. The working group in health will continue to meet on a regular basis under the chairmanship of WHO; the informal approach used in the group permits discussion of all types of issues and has enhanced the dialogue with MoH, including various institutes. In addition to the working group on health, there are a number of sub-working groups on specific subjects, e.g. reproductive health, food security and safety, safe motherhood. There are also partnerships between the MOH and different organizations on specific issues; one example is the support provided by SIDA, USA Embassy and UNICEF to MoH for the preparation of a national plan for accidents and injuries prevention.

### **1. The long-term vision for the health sector**

3. The MoH has developed a strategy for people’s health care for the years 2001–2010 that has been submitted to the Prime Minister for approval. The strategy is based on an assessment of the last 10 years and looks at achievements, problems and new challenges. The new strategy recognizes the important role of health and the need to invest in health for accelerated socio-economic development and for improving the quality of life of every individual. The strategy is based on four principles: (i) equity and efficiency of the health sector, (ii) fighting against the broad social determinants of bad health, (iii) integration of traditional and modern medicine and (iv) appropriate public-private mix with the government in a position to protect the public interest.

4. The goal of the strategy is to improve the overall level of health (as indicated by health targets to be achieved) and the distribution of health among all the population (ethnic minority

groups, women, children, poor and the elderly). This will be achieved by continuing to combat communicable diseases; preventing and managing non communicable diseases and unhealthy lifestyles; and developing equitable health care services which can provide good quality preventative and curative care to everybody at an affordable cost for the individual and the community.

5. The health targets to be achieved by 2010 are as follows:

- Average life expectancy at birth will increased up to 71 years,
- Maternal mortality ratio (MMR) will be reduced to 70/100 000 live births,
- Infant mortality rate (IMR) will decline to 25/1000 live births,
- Under five mortality rate (U5MR) will decline to about 32/1000 live births,
- The rate of low birth weight births will be reduced to 6%,
- The rate of under five malnutrition will be reduced to 25%,
- The average height of youth will reach 160 cm.

6. The strategy outlines the main policies and proposals of the government to achieve the above objectives and targets:

- health financing, with a focus on the need to use different resources including the government budget, social health insurance, community's contribution. The plan is to use more effectively the government budget and to move to prepayment schemes in the medium term. The integration of foreign aid resources into the government budget will also be explored.
- reviewing and strengthening the organization of the health sector, including developing regional general hospitals and rearranging the system of medical schools; developing human resources according to the need of each level; and, improving training.
- consolidating and developing PHC/community based services including the introduction of new management methods to ensure higher effectiveness (IMCI, CBM, etc.)
- strengthening preventive care and health promotion in order: (i) to decrease the incidence and prevalence of diseases such as tuberculosis, EPI preventable diseases, dengue fever, HIV/AIDS, etc; (ii) to control non communicable diseases and new public health problems such as injuries, food-borne diseases, tobacco in close collaboration with other ministries and partners; (iii) to develop reproductive health and reduce the maternal mortality rate and the abortion rate.
- improving curative care and putting in place an effective referral system and good management practices. This will be accompanied by standardization of equipment and technologies, essential drugs lists, improvement of the quality of diagnosis and treatments, etc.

- developing traditional medicine and continuing the implementation of the national drug policy in order to promote the use of traditional drugs and the rational and effective use of modern drugs.
- developing new technologies to catch up with other countries in the region.
- finally, improving the capacity of planning and management in all areas within the health sector.

7. This strategy is owned first and foremost by the Government through the MoH, which has consulted broadly at all levels of the health sector. The UN organizations, the donor community and many NGOs expressed their support in a meeting in September 2000 when the MoH presented the strategy.

8. The strategy has been developed mainly within the MoH, however the health sector review which outlines key policy questions and a large number of discussions between the MoH and the international community has helped to shape the current strategy paper.

9. As it stands today the strategy provides a broad basis for further planning and can be seen as an orientation document for the development of the health sector. In addition to the strategy a number of sub sector strategies have also been developed in close collaboration with the international community; these include the national strategy on nutrition, the policy and strategic plan on tobacco control, the reproductive health strategy, the AIDS care plan, etc.

## **2. Key steps needed to achieve the objectives of the strategy**

10. In the next few months the MoH will issue a detailed annual plan for 2001, and a 5 year plan. Upon release of the annual plan for 2001, which will include activities, indicators and budget, the international community will undertake coordinated efforts to support implementation. The ISG and the partnership group on health will continue to be the appropriate mechanisms for such an interaction. The process of working together should facilitate the emergence of a shared view on the solutions needed to move forward. The first Viet Nam Public Health Report, which will be prepared in the next few months, in close collaboration with WHO and some international agencies, will be an important milestone in the identification of these appropriate policies and strategies.

11. As many issues are still unresolved, more operational research will be needed involving the academic community and debates need to be organized within the Government and between the Government and other partners before consensus can be reached on solutions. Issues, which need to be addressed, relate to the performance of the health sector in improving health, especially for the poor (e.g. access to, financing and quality of the health system). They also relate to the institutional arrangements needed to strengthen the MoH's role in leadership and capacity to develop and monitor policies and strategies (e.g. decentralization).

## **3. Role of different partners**

12. It is agreed by most of the partners in the health sector that:

- (i) the government through the MoH and other related ministries should keep the initiative in policy setting, budgeting and implementation.

- (ii) the donors should continue to work closely with the government in supporting the development and implementation of policies and programmes, however the pace of reform should take into account the administrative capacity of the MoH.
- (iii) the donors should make all efforts to reduce the burden on MoH of multiple aid management procedures.
- (iv) coordination remains the key to success and requires stronger commitment of all parties.

13. Today, in practice most projects for the health sector seem to emerge from ad hoc missions initiated by each donor agency individually and are rarely coordinated with those of other donors or with the Government's own planning. A first major improvement has been the creation of a database in the MoH, which provides information on how ODA is shared between different sub-sectors/areas (see table attached). The second step could be the elaboration of an effective operational ODA programme structure for priority areas in the health sector that can serve as a base for joint discussions and planning of new projects. Within each area, donors and the MoH should work together to shift emphasis from input-related targets to outcome-oriented programming and budgeting with a strong evaluation component. This improvement in the management of ODA can bring important gains in effectiveness and efficiency.

14. The set up of the ISG under the leadership of the MoH and the revitalization of the partnership group on health create an environment which can facilitate the dialogue and increase understanding, transparency and awareness.

<b>Main area/programme</b>	<b>Main donors</b>
1. Health policy, planning, management and evaluation	Sweden, UNFPA, WHO, ADB, World Bank, EC, Netherlands, UNICEF
2. Primary Health Care	ADB, Australia, Belgium, EC, France, Korea, Netherlands, Sweden, UNICEF, WHO, World Bank, United States, SIDA Canada
3. Hospitals	IAEA, Belgium, France, EC, Germany, Italy, Japan, Korea, Spain, USA, WHO, Luxembourg
4. Pharmaceutical and biological products	Belgium, Japan, Spain, Sweden, WHO
5. Traditional Medicine	Spain, WHO
6. Communicable diseases	
6.01 Malaria	Australia, Belgium, EC, Germany, UNICEF, WHO, World Bank
6.02 Dengue	Australia, Canada, UK, WHO
6.03 Tuberculosis	Netherlands, WHO, World Bank
6.04 Leprosy	Belgium, WHO
6.05 Control of diarrheal diseases	UNICEF, WHO
6.06 Parasitic intestinal diseases	WHO
6.07 Acute respiratory infections	UNICEF, World Bank, WHO
6.08 Sexually transmitted infections	WHO, ADB
6.09 HIV/AIDS	Australia, EC, France, Ireland, Japan, UNDP, Norway, UNICEF, UK, USA, WHO, ADB
6.10 Immunizations	Japan, UNICEF, WHO
7. Non-communicable diseases prevention and control	
7.01 Cancers	WHO
7.02 Cardiovascular diseases	WHO
7.03 Diabetes	WHO
7.04 Mental health	WHO
7.20 Other	WB (School based oral health programme)

8.01 Mother and child health	Australia, EC, Japan, France, Italy, Netherlands, Sweden, UNICEF, USA, WHO, World Bank
8.02 Reproductive health	EC, Japan, Netherlands, UNFPA, UNICEF, United States, WHO, ADB.
8.03 Family planning	ADB, Australia, EC, Germany, UNFPA, World Bank, United States,
9. Nutrition	
9.01 Anaemia	UNICEF, WHO
9.02 Vitamin A Deficiency	UNICEF
9.03 Iodine deficiency	Australia, Belgium, UNICEF
9.04 Food supplement	Australia, UNICEF, WFP
9.20 Other, nutrition	EC, France, The Netherlands, UNICEF, UK
10. Aging and health	WHO
11. Disability and rehabilitation	Australia, Czech Rep, Germany, Luxembourg, Norway, Netherlands, WHO, MCVN-Netherlands
12. Healthy environment	WHO, Korea
13. Training	France, The Netherlands, Australia, WHO, EC, Sweden, Ireland, Korea
14. Study	United States

*Note:*

*Information compiled from a Compendium of the AMC for on-going projects at the end of 1998, DCR of the UNDP for on-going projects at the end of 1998, and Reports of provinces/institutes sent to the PCD so far.*

## THE FIVE MILLION HECTARE REFORESTATION PROGRAM<sup>13</sup>

### 1. What is the long-term vision?

#### 1.1 *The Vision:*

1. An environmentally sustainable rural economy comprising: (a) forests covering 43% of the country with (i) soil erosion in vulnerable watersheds, flooding and siltation rates of reservoirs substantially reduced, (ii) better balanced year round water storage for hydro-power generation, household and productive use, and (iii) valuable bio-diversity preserved; and (b) a Hill and Mountain Economy free of hunger, with substantially reduced poverty and secure and resilient livelihoods.

#### 1.2 *Its Ownership, Origin and Evolution*

2. The Government of Vietnam (GOV) is in full ownership of the Five Million Hectare Program (5MHRP). The origin of the program lies with the Decree 327 Program (focussed on infrastructure, forestry and land settlement) of 1993-96. This program is modified by Decision 556 (from 1997-98) and was, as a result, re-oriented towards forest protection. The current Five Million Hectare Program (5MHRP) is focused on the following to realize the vision above: (a) the creation and more effective protection of special use forests and watershed protection forests; (b) the economic regeneration or expansion of forests to meet domestic consumption and export needs of the wood products industry; and (c) the effective development of communes with bare lands/hills to create more employment, improve incomes and reduce the pressure on forests. The vision has had comments from selected members of the Partnership, ADB and Vice-Minister Nguyen Van Dang of MARD.

### 2. What are the Key Steps needed to attain this vision?

3. The key issues and sub-programs, given below, constitute the key steps or "sub-visions" to attain the above vision.

#### 2.1 *Land Use Planning, Forestland Classification, Allocation and Tenure*

4. To make more forestland available for sustainable production or protection and to provide appropriate tenure security for agro-forestry investments, priority would be given to land use planning and classification to identify vulnerable communes and mini-watersheds for priority protection and the preparation of realistic land use plans. This will be done after re-classifying current protection forests into a simplified category, largely be based on slope and adjusted for current levels of population pressure. The remaining areas not retained as protection forest will be classified as either suitable for agriculture or production forests. In conjunction with household allocation, production forestland could be considered for competitively-bidder long-term concessions to the private sector for commercial activities like industrial crop production. However, for production forests located in critical watersheds or riverbanks, land classification will also take into account minimum forest areas needed to be consistent with land

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<sup>13</sup> This version of the "Vision Theme Note" represents work in process.

cover and water conservation. Community-based land use planning would be undertaken at the village/hamlet level in such a way that local officials' influence will be minimized and “true” community needs/ problems can be presented and resolved..

5. Land allocation (the issuance of land use certificates or red books) and the assignment of related rights and obligations will be undertaken simultaneously for all types of land in each village/hamlet lacking such rights. Community based land-use planning and establishment of boundaries and, where necessary, their demarcation, will form the basis for land allocation. For organizations and households, land use certificates can be issued to them under the law. However, the issue is how do we satisfy the needs for traditional community rights? Furthermore, hurried issuance of redbooks may be counterproductive if it leads to further conflicts. Until proper community land use planning is completed, a “pre-red book” -- the present “forest registration booklet” (to be given expanded legal rights) would be issued. Stipulated land use restrictions in the forest registration application would be minimal. The capacity to undertake classification, land use planning and forestland allocation will, at the same time, be considerably strengthened. Nearly landless or landless households suffering net losses from the land allocation process will be given priority for new land available for allocation.

6. To ensure environmental sustainability in the protection of priority conservation forest areas (i.e., protection and special use forests), protection contracts for selected conservation parcels will continue to be issued for a specified period. Protection contract arrangements would typically be carried out at the community level in order to instill an element of collective responsibility and accountability for protection results. Under certain resource sustainability guidelines, Management Boards will be allowed greater flexibility to grant smallholder contractees with permission to collect limited forest products from the protected parcel. In deciding how long protection contracts are needed, account will be taken of the value of collected products from protection forestland. In addition to spelling out protection payment duration, contracts will specify the benefit sharing arrangements. For special socio-cultural reasons, and after it has been determined that acceptable production alternatives outside the conservation area are limited, long term forestland users or residents in conservation areas can be permitted to receive “conditional red books” for their agricultural/swidden parcels or home garden/plots. Conditional red book conditions will include a statement of joint smallholders/authority protection obligations of the conservation area. An important clause will stipulate responsibilities for re-forestation interventions on vulnerable agricultural plots entering into fallow. The regulatory and administrative requirements to facilitate these changes will be provided for.

## ***2.2 Improving the Social Status of the Forest-Dependent Farmer***

7. Forest-dependent farmers can avail themselves of the forests and its products as a source of subsistence, cash income and as a social safety net during times of natural disasters and economic/market shocks or failures. In addition to environmental benefits, forest protection contracts for special use or protection forest (normally earmarked for the poorest segment of the forest dependent community) has helped in poverty alleviation by providing cash for work (forest protection and maintenance). Furthermore, successful forest protection and management programs have secondary but not inconsequential effects on the forest-dependent farmer. Successful forest regeneration nearer to farmers' holdings reduce the time needed to collect firewood and provide more non-timber forest products nearer home. This will free the farmers'

time for more lucrative home and agro-forestry garden activities (fruit-trees, small livestock). Conservation activities (e.g., resource inventorying, biodiversity monitoring, fire break maintenance) can be contracted to the community as well. Hence, socio-economic impact from forest management and protection can be significant.

### ***2.3 Sustainable Farmer Support Services for Technology and Farm Income Improvement***

8. To improve the technical quality of smallholder forest plantations and to improve forest-dependent farmers' income so that pressure on the forests can be reduced, effective farmer support services must be provided for the improvement of mixed forestry and agriculture systems. First, it has to be recognized that farm forestry cannot be divorced from the rest of the livelihood systems of rural families. An integrated extension approach is therefore necessary. Second, a multi-disciplinary research extension mechanism has to be established to ensure the availability of appropriate technologies that is relevant to various farmer livelihood conditions and forest dependencies. Inter-sector cooperation is required to (a) improve the technical data base (growing stock, species mix, productivity); and (b) evaluate and package available technologies in such a way that farmers can be easily convinced of their attractiveness. This includes not only economic and financial justification but socio-cultural relevance and the role of indigenous knowledge. Managed natural regeneration of production forests will be an important part of the package as will be the concept of agro-forestry gardens and marketing assistance. Third, to facilitate further technology transfer, demand-driven adaptive research trials under typical farmers' conditions (which can also permit relevant feedback and be used as monitoring and training tools) will be jointly established by the agro-forestry development/extension service, relevant research institutes, private companies and grass roots organizations. The result will be used for up-scaled extension demonstrations to promote lateral information and technology spread between communities. Fourth, the Government extension service and forest development branches at the district level will be provided with improved incentives and supplemented with assistance from contractual arrangements with the private sector to promote extension networks that will facilitate farmer-to-farmer spread.

### ***2.4 Farmer Financing and investment support***

9. Financing (for investment and livelihood needs) can be an important constraint for forest-dependent farming households even though they usually undertake low cash requiring activities for multiple-purpose use to minimize their farming risks. Where there exists an opportunity for market integration, financing of quality high value crop seeds or tree seedlings is probably one of the most likely investments they will likely find attractive to borrow for. Tied to this is the need to ensure reasonable and competitive supply sources, including that from the local community. Thus, in accessible areas, credit arrangements will be made through the operational assistance of grass roots organizations (e.g., Women's Unions) to obtain institutional credit from VBARD. In the less accessible areas, where credit does not play a role of significance, it will be necessary to package low investment and grant based forestry extension support services and combine these with reservations of emergency food support funding. The determination of credit outreach potential is best done through effective community participation starting with Land Use Planning and culminating with Commune Action Plans that contain investments incorporated into household farm plans prepared jointly with private sector, Viet Nam Bank for Agriculture and Rural Development and grass roots organizations.

## **2.5 State Forest Enterprise (SFE) Restructuring**

10. SFEs have jurisdiction over about 5.0 million ha of forests. To ensure that SFEs can effectively play their role, restructuring under the guidance of Decree 187 will be needed to ensure that the spirit of the decree -- efficiency of production and business -- is properly implemented. SFE's forestlands must be surveyed and re-classified in terms of their land-use capability. On the basis of these land-use classification results - SFEs themselves will be reclassified as either: (a) Management Boards (if their predominant role is protection) or (b) business/commercial production or service enterprises. The GOV (MARD, MPI and MOF) will provide clear guidelines on how the viability of SFEs as business enterprises can be evaluated. In cases where the SFEs do not fulfil the requirements of being classified as either a forest protection board or a commercial business unit, its staff will be eligible for a fair separation compensation (taking into account the supplementary income units provided to them during their service in the SFE). Alternatively, SFE staff could be released to district/ province forest development or extension service branches. Their remobilization into the services would make it possible to revamp and improve services, especially at the district and commune level. The function, tasks and representation of Management Boards will need to be reviewed to ensure that measures will be instituted for management efficiency (including proper accounting and auditing) and representation from grass-roots organization and local area farm households.

## **2.6 Institutional Capacity Building from Province to Commune Levels**

11. While the central ministries, especially MARD, should continue to redefine and improve its policy, planning, legal and technical oversight roles, primary focus will be on strengthening: (a) *provincial ability to plan*, program, co-ordinate and monitor investment activities for forest resource development; (b) *district ability to coordinate and implement* support services to the smallholders within a development framework that more effectively involves the private sector and grass-roots organizations; and (c) *commune capacity to prepare commune action plans and support households and private forest owners to manage and protect* the allocated or assigned forests. Care will be taken to improve (i) the efficiency of allocation and use of investment funds (including the delineation of responsibilities for investments at the central, provincial and sub-provincial levels), and (ii) the monitoring and evaluation of investment results.

12. This would entail (a) some restructuring of responsibilities (absorbing SFE staff within an integrated district support service that can cater for mixed agro-forestry farming systems and small scale business development); and (b) capacity building -- with emphasis on (i) goal-oriented planning methods (including community-based consultation), (ii) the streamlining of budgeting/accounting procedures, (iii) strengthening of social, financial and economic appraisal skills; and (iv) monitoring and evaluation as well as auditing techniques.

## **3. What should the role of partners be?**

### **3.1 Current Donor Sector Involvement**

13. Existing donor assistance cover a wide range of activities in the Forestry sector ranging from policy support (Germany, UNDP, Netherlands, ADB, Sweden, Finland) to biodiversity conservation (Netherlands, EU, World Bank, UNDP, Denmark, Australia), inputs/tree seed (WWF, Denmark), technology (IUCN, Japan), watershed protection (ADB, Germany, FAO) and

Social or Community Forestry Projects, most of which are also watershed related (Denmark, Germany, Care, Switzerland, Finland, Sweden) and afforestation (WFP, Sweden, Germany ); and agro-forestry (Thailand). There is some overlap in terms of thematic support but not of area (locality) covered. Different initiatives for similar activities (e.g. social forestry) have given results over the past five years which show that it is not possible to generalize about development impacts at the ground (village) level because of variations in agro-ecological and socio-cultural conditions, especially in the highland areas. This provides the case for a properly decentralized approach.

### ***3.2 A possible role for the Government – Donor Partnership***

14. The Government of Vietnam (from the Central to the Sub-provincial level) has been implementing the 5MHRP for the past two years and its predecessor (the 327 program) over the prior six years. The Government - Donor Partnership, established as a result of the 1998 CG, can be grouped as follows: a) Government of Vietnam (central and decentralized layers); b) households; c) SOEs/state-controlled management institutions; d) private sector; e) donors (grant or loan providers); f) international organizations(TA providers, International NGOs). The Partnership is now moving towards the development of a sector support program.

15. The programmatic approach being considered first establishes a framework for priority policy, sub-program and institutional development, the support of which would be designed in a flexible format. Sub-programs of the 5 MHRP are evaluated for their problems and constraints. The policy and institutional measures needed to alleviate them and to facilitate implementation will be broadly agreed upon by the main stakeholders. Care will be taken to identify systemic policies and operational guidelines that are applicable to broad sub-program or project conditions rather than detailed inflexible procedures. The Government and its local partners, within the agreed guidelines for the framework, will implement the sub-programs and projects. Foreign assistance (technical and financial) will be provided within a strategic approach set over a 10-15 year period, but will be grounded on anticipated needs devised along the lines of a rolling Three Year Plan and yet be able to fit in the Government's budgetary process. The process approach would focus on result (output)-oriented monitoring (jointly with key stakeholders) of policy, activity and institutional milestones with timely warning guidance for technical/financial assistance to troubleshoot and resolve unanticipated problems during program implementation. Funding could be earmarked or contingency-based.

16. The existing form of 5MHRP lends itself quite well to the proposed approach. It is already based on a concept of projects within the umbrella of various subprograms where, in principle, beneficiaries propose projects to the authorities for funding or co-funding by the 5MHRP. Continuing its concept, the projects can be evaluated for their contribution to the agreed sub-program objectives and outputs, and their willingness to adhere to the principles of implementation in order to qualify for funding. This is basically what is taking place in a rather ad hoc fashion. It is, therefore, mainly a matter of systematically bringing the quality, effectiveness and efficiency of the existing system up to the standards for international co-financing. Furthermore, there already exist projects under the 5 MHRP that are co-funded by other national sources (local government or other national level programs). This means that provision for important linkages is already allowed for and will not be new.

17. Under this approach, donors and international organizations can still pursue their synergistic support, which is presently being practiced on a project level. For example, NGOs can continue to work with local grass roots organizations at the community development level while multilateral donors continue work on ensuring systemic changes in management and administration and on improving the policy and regulatory environment. Scientifically-oriented international organizations (IDRC, IUCN, WWF, ICRAF, CIFOR) could similarly work with local science institutes and with socio-cultural-oriented organizations (International NGOs) to continue their work with grass roots organizations to address the replicability issues for technology development and transfer at the farmer level. The only difference is that their participation will need to be designed on a program/sub-program basis.

### **3.3 Technical Assistance Focus**

18. Donors and Government still have to do considerable work in coming together on a harmonized program approach. Various sub-studies will have to be carried out to prepare for such a program to cover its management and procedural framework, and its joint monitoring and evaluation requirements. A number of areas have been pre-identified for donor assistance in technical assistance. Their timely implementation will constitute important support of the programmatic approach:

- (a) Financial and economic assessment and monitoring of sub-programs or projects.
- (b) Completion of a simplified and more transparent system of forestland classification, land use planning and forest allocation.
- (c) Comprehensive wood-processing/commercial plantation study.
- (d) Establishing research-extension linkage in mixed forestry/agriculture systems.
- (e) Study on the impact of various natural regeneration, assisted regeneration forestry models.
- (f) Options for blending local/indigenous knowledge and modern/scientific approaches in forest management and agro-forestry systems development.
- (g) Standardization of procedures for: (i) planning, monitoring and evaluation; and (ii) budgeting and financial planning

### **4. What are the key monitorable indicators?**

19. This section will be finalized after further discussions between GOV and the Partnership. Some possible sub-program activity indicators include: area and number of households classified and allocated; area planted or under assisted natural regeneration; area under each category of forests; extent of bare land "re-greened"; number and area of red books issued; number and area of conditional red books issued; and number and area of "pre-red book" issued. In addition, indicators will also be needed for objective levels and policy and institutional development milestones, depending on how the programmatic approach is designed.

## **THE PARTNERSHIP TO SUPPORT THE POOREST COMMUNES**

### **1. What is the long-term vision for support for the poorest communes?**

1. The goal of **Program 135** is to improve the material and non-material life of people in remote, mountainous and underprivileged communes and to create conditions for them to overcome poverty and become better integrated into the mainstream of Vietnamese life.
2. Program 135 complements the Decree on **Grassroots Democracy** which aims to foster the full participation of people at the local level in planning and decision making in most aspects of development that directly affect their lives. Grassroots democracy should empower people at the commune and village level to participate more fully in devolved and decentralized government.
3. Program 135 originally identified 1,715 underprivileged communes as its target. This included 1,000 communes which were to provide an initial focus. Recently, the number of communes has been revised upward to 1,878, but the goals of the program remain unchanged. If all the communes designated as poor by both CEMMA and MOLISA are identified, the total number is about 2,500, or about one in four.

### **2. What steps are needed to achieve the vision?**

4. The Decision of the Prime Minister (No. 135/98/QD-TTg) establishing Program 135 identified five specific activities considered necessary to achieve the Program's goal:
  - creating employment and improving livelihoods by promoting sustainable use of natural resources and product processing in remote areas
  - developing rural infrastructure with particular attention to accessibility and transportation, water supplies and electrification
  - improving rural service centers for provision of health care, education, marketing and information exchange
  - training the leadership at the commune, village and hamlet level to manage better the economic and social development of their localities
  - relocating people from areas of extreme hardship to locations with more favorable conditions
5. Funding for Program 135 will come from the state budget (including donor contributions), bank loans and credits, and other sources, including people's savings.
6. The government began to implement Program 135 using its own resources in 1999. It invested to close gaps in basic public infrastructure in 1,200 communes in 30 provinces, investing VND508 billion of state funds (about \$36 million) with an average investment per commune of VND423 million (about \$30,000). In its first year the Program saw:
  - 2,272 small public infrastructure projects largely completed (90%), mainly in improved schools (642), basic access (629), irrigation (532), drinking water (307), electrification (121) and health centers (29) and markets

- a participatory approach to local planning and decision making initiated, although infrastructure was emphasized over capacity building or participation
- better-off provinces, plus some ministries and SOEs, supplement the grants provided by the central government

7. Looking ahead, the government will continue to support Program 135. Donors and other partners have indicated their willingness to support significant parts of Program 135, including support for:

- essential small-scale **infrastructure** at the commune-level and below
- improved **services** for social and economic development
- **income and employment generation from agriculture and natural resources**
- **institutionalization of participatory approaches** throughout the project cycle

8. Government has also indicated that it may gather all poverty reduction programs targeted at poor communes under Program 135, including the sedentarization program of MARD. It is important to recognize that donor support is unlikely for resettlement except on a very small scale and in the most unavoidable of circumstances.

9. Additional steps needed to achieve the vision might also include:

- closer integration of Programs 133 and 135 with a clearer strategy for 135
- more transparent selection of eligible communes, funds allocation, and procurement
- provision of infrastructure through labor-intensive works at the commune level
- budgetary support to ensure effective project operations and maintenance

### **3. What should be the role of the partners?**

10. Several donors actively supported projects similar to Program 135 before July 1998. These included UNCDF/UNDP's Rural Infrastructure and Development Fund (RIDEF) in Quang Nam and International Fund for Agricultural Development's (IFAD)/UNDP's projects in Quang Binh and Tuyen Quang. Following the 1998 CG meeting, other donors indicated their support for Program 135 in several parts of Vietnam. (A list of provinces where donors are active is presented in the annex.)

11. Analysis of government and donor support for poor communes indicates that the potential for collaboration and cooperation is significant. However, the government and donors are not yet working within a common framework for either key program elements (e.g. local-level capacity building, institutionalization of participation throughout the program, sustainable financing, labor-intensive construction methods, unified monitoring) or budgetary support. Investments are still project-based and opportunities for mutual learning are not being taken. PAC, which could be a mechanism for finding a more coherent approach, remains mainly a forum for information exchange. Progress will require adjustments on both sides.

12. For donors:

- a long-term commitment is needed to the improvement of poor communes

- a path from project- to program-based support for the Government should be sought
  - some agency “identity” may need to be sacrificed for the sake of effectiveness
  - donor cooperation should be sought based on flexibility and comparative advantage
  - procedures and levels of financial support should begin to be standardized
13. For government:
- budgetary processes must become more transparent and accountable
  - capacity building should become as important as provision of infrastructure
  - poverty targeting should be improved, including targeting within communes
  - program monitoring and progress reporting should be standardized and coordinated
14. Government and donors should agree on a strategy for assisting poor communes and PAC should become the forum for learning to make Program 135 more effective.

#### **4. How will progress be measured?**

15. The Prime Ministerial Decree 135 identifies the goals and objectives which are the foundation for monitoring progress:

16. **first**, that the goal that the number of poor households be reduced by 4-5% annually in the poorest communes by 2000 and the poverty rate in underprivileged communes be reduced to 25% by 2005

17. **second**, the objective that:

- most communes are made accessible by road
- market development is promoted
- more than 70% of school-age children attend school
- most social diseases are controlled
- local water supplies are adequate for daily needs
- most people receive training to improve their lives and livelihoods

18. To these, the following **process objectives** should be added:

- the selection of community infrastructure investments will be participatory and demand-driven
- a capacity for bottom-up monitoring and supervision of Program 135 is established.
- donor support for poor communes is provided more in the form of program support, channeled to local authorities, and less in the form of project support
- overall, the cost of providing, operating and maintaining basic public infrastructure is reduced and its sustainability is increased

**Annex 1: Summary of donor support for poor communes.**

<b>Donor</b>	<b>Operating area - provinces</b>
UNDP/UNCDF	Quang Nam, Quang Tri, Yen Bai, Tra Vinh
UNDP/IFAD	Quang Binh, Tuyen Quang, Ha Giang
ADB	Quang Binh, Quang Tri, Thua Thien Hue, Kon Tum
World Bank – Central Vietnam	Thanh Hoa, Nghe An, Thua Thien Hue, Quang Nam, Quang Ngai, Binh Dinh, Phu Yen, Khanh Hoa, Ninh Thuan, Lam Dong, Binh Thuan, Binh Phuoc
World Bank – Northern Mountains	Son La, Lao Cai, Yen Bai, Phu Tho, Hoa Binh, Bac Giang
Australia	Quang Nam, Quang Ngai
Belgium	Nghe An, Ninh Thuan (Quang Ngai, Phu Yen, Khanh Hoa, Ninh Tuan, Binh Tuan in prospect)
Canada	Thanh Hoa, Soc Trang
European Union	Cao Bang, Bac Can, Lai Chau, Son La
Finland	Quang Tri, Thua Thien Hue, Bac Can
Japan	Binh Thuan
New Zealand	Gia Lai
Norway	Quang Tri
Sweden	MRDP provinces
CIDSE	Lang Son, Bac Can, Thai Nguyen, Thu Thien Hue, Soc Trang, Binh Phuoc
Oxfam GB	Ha Tinh, Soc Trang

Note: This list applies to donor support that complements directly Program 135. *The Compendium of Rural Development Assistance* (UNDP 2000) provides detailed information of support in the rural sector.

**Annex II: PAC Membership and authorship of note.**

PAC is co-chaired on the government side by Vice Minister Nguyen Xuan Thao of MPI. The donor co-chair rotates. Membership of PAC is drawn on the government side from MPI, MOLISA, CEMMA, the Ministry of Finance, and MARD and on the donor side from UNDP, FAO, ADB, the World Bank, AusAID, CIDA, DFID, the EU, Finland, GTZ, JBIC, New Zealand, Norway and Sweden. NGO membership includes CIDSE and Oxfam GB. This note was drafted on behalf of the donor group by representatives from The World Bank, UNDP, DFID and Norway. It was revised by government agencies coordinated by MPI.

## FOOD SECURITY

### 1. What is the long term vision?

1. Food insecurity arises mostly from households not having sufficient income to buy food. Despite Vietnam's significant economic progress in recent years, poverty remains fairly widespread. Research into the causes of poverty indicates that these are: isolation (geographic and social); high risks (from flooding, typhoons, diseases); inadequate access to available resources (land, credit); lack of environmental sustainability; and inadequate participation at the local level in the formulation of poverty alleviation initiatives. In the present economic and social context of the country, food insecurity and poverty are the two sides of the same coin.

2. There is a second dimension to this issue: food security at the household level not only means to provide sufficient basic food, it also involves securing the absence of malnutrition of any sort, including malnutrition due to protein/energy deficiency and malnutrition caused by micro-nutrient deficiency.

3. Nutrition security is the health aspect of food security. In Vietnam, malnutrition is still widespread. Children under five years of age are among the most vulnerable and affected groups. Apart from children, women especially suffer from malnutrition. On average, more than 40 percent of all mothers are malnourished. The main causes of adult malnutrition are likely to be associated with childhood undernutrition and current insufficient dietary intake in quality and quantity. The Vietnamese diet is dominated by rice and rice alone is deficient in several important nutrients.

4. The Government of Vietnam reported to the 1996 World Food Summit that "Food Security has been and will be the national priority in Vietnam. Food Security is seen to be one of the most important factors contributing to the stabilization of the socio-economic development in the country."

5. Already in 1990/91, the Government formulated a new Socio-Economic Strategy for the period up to the year 2000 which *inter alia* proposed the formulation of a comprehensive national food security programme under which the "Vietnamese agriculture will have the prime objective to ensure food supplies and improve nutritional levels of the diets for the whole community, providing not only sufficient calories but also higher levels of proteins, fats and vitamins."

6. A National Food Security Programme (NFSP) has been formulated to the horizon 2000. The Government has now decided to bring the NFSP forward to the horizon 2010. The new NFSP will be included in the 5 year plan and ten year strategy of the Ministry of Agriculture, the institution mandated to monitor and promote food security in the country. Within the framework of the programme, one of the major remaining issues is the development of strategies for the establishment of more stable agricultural eco-systems and shift from the present narrowly based agricultural production focus in rural areas to an effective and inter-linked agriculture-industry-service structure that will provide local employment, thereby creating a more stable basis for access to food. Particular attention still needs to be given to the poorest and most food insecure regions of the country. The Government of Vietnam is also committed to involve all elements of civil society in the effective implementation of the NFSP. Efforts will have to be made to

educate the people and raise their awareness of the significance and importance of food security. Social mass organizations (like the Farmers' Union and Women's Union) play a very important role in Vietnamese society; they will have to be called upon to give full attention and support to creating the awareness of national food security issues in society. The TWG assists the Government in this effort particularly through the main activities mentioned above.

## **2. What are the key steps needed to attain the vision?**

7. The experience of many countries has shown that **economic growth does not translate automatically into a reduction of poverty and/or food security**. In FAO's experience, focused action is required to create conditions that enable poor communities and households to take advantage of development opportunities. In poor communities and marginal areas, poor infrastructure, health and nutrition, and inadequate management capacities and illiteracy may be major, if not the most important, impediments to increased production and productivity. Malnutrition impairs overall economic growth since it affects productivity and ability to become engaged in productive activities. It also increases the risk of disease. Women and children may be the most affected by malnutrition because of unequal allocation of food within the household - often as a result of cultural practices - and due to women's heavy workload and responsibility in terms of productive and domestic tasks.

8. Household food security is the prime concern of poor households. It determines production and investment choices. A knowledge of how poor households strive to achieve food security is essential to understanding their coping and risk-aversion strategies. Essential also is the knowledge of the impact of economic and financial policies on the poor and the food insecure. Safety nets should be created to reduce the negative effects of the above policies on the most vulnerable segments of the population.

9. Government technical capacity to provide policy guidance on food security measures needs to be strengthened through national and international technical assistance, training, improved information service and material support.

10. With the prevailing public service culture, this also requires that other issues be addressed, such as :

- change in attitudes and mindsets of all partners to act in a more integrated and coordinated way
- adjustment of governance structure to allow greater flexibility and adaptability
- fostering transparency and sharing information among all partners
- effective coordination and partnership at all levels
- appropriate participatory monitoring and evaluation system.

## **3. What should the role of different partners be?**

11. The main purpose of the Network's Thematic Groups is to provide an effective framework to discuss, plan and implement collaborative activities in rural development and food security and enhance the efforts of national governments to implement the commitments in the World Food Summit Plan of Action. While the specific objectives of Thematic Groups will vary

depending on national priorities and the work programme, the Groups should seek to achieve two broad objectives:

- to promote new projects, activities and investments in rural development and food security and enhance co-ordination at the national level; and
- to share relevant information, knowledge and expertise.
- creating awareness and advocating for rural development and food security issues;
- contributing to the implementation of national policies, strategies and action plans;
- monitoring national activities for rural development and food security;
- determining needs and opportunities at the grassroots level;
- formulating project proposals and identifying funding sources;
- promoting the sharing of indigenous knowledge, experiences and ways of communicating best practices;
- contributing to the creation and maintenance of common information systems and databases;
- organizing seminars and workshops on rural development and food security issues;
- promoting the participation of women and analysis of gender issues;
- promoting national capacity building and training activities; and
- promoting research activities.

12. The Role of the all international development partners should be:

- engaging in advocacy and disseminating lessons learned and best practices
- supporting the Government in its effort to adjust its policy to combat food insecurity and poverty
- cooperating with the Government in capacity building activities particularly in policy analysis and policy impact on the poor and food insecure
- building effective partnerships to carry out programmes and projects targeted to combat food insecurity and poverty (HEPR programme, 1715 communes, National Plan for Food Security, etc.)
- Suggesting quantifiable indicators to evaluate the impact of poverty reduction activities on the living standard of the beneficiaries (e.g. impact on child malnutrition)

13. The Role of Civil Society Organizations (CSOs) should be:

- sharing their knowledge and expertise;
- engaging in advocacy and raising public awareness;
- contributing to policy dialogue;
- mobilizing resources;
- building the capacity of civil society organizations at the local level;

- disseminating lessons learned and best practices.
14. The Government should:
- place in its development agenda food security and poverty as the first development goal;
  - include the concept of food security in its poverty strategy under preparation by MOLISA and the I-PRSP under formulation by MPI;
  - devote efforts to the actions needed to secure malnutrition and poverty reduction including sub-sectoral revisions and restructuring (e.g. agricultural extension system, agricultural research, nutrition education activities)
  - define and implement safety net schemes to support the poorest and most vulnerable groups;
  - build internal capacity to analyse policies and quantify their impact on the poor and food insecure;
  - ensure broad participation of the beneficiaries in the implementation of programme and projects.

#### **4. What are the key monitorable indicators?**

15. The key monitorable indicators should be related to the impact that pro-poor and food security policies have on the beneficiaries. Indicators should be easily measurable and related to local conditions (e.g. child malnutrition, girls scholarisation, employment rate, etc.). Policy results or impact should not be confused with outputs (how many funds distributed, how many kilometers of roads, etc.). Indicators should be set at the beginning of the activities and their values monitored throughout the programme in order to enable potential corrective measures. Collection of information of the impact of the policies should be done properly and with the cooperation of the local authorities which should be requested to comment on the proposed activities at all stages of formulation and implementation. Special attention should be given to vulnerability and its causes (food is the first item to be neglected in case of urgent needs). Indicators and evaluation activities should take into account the sustainability of the results obtained including, if applicable, a corrective value in case of result volatility.

#### ***Background to the Food Security Working Group***

16. The ACC Network on rural development and food security was established by the United Nations Administrative Committee on Co-ordination (ACC) in April 1997 as an innovative and flexible mechanism for inter-agency follow-up to the World Food Summit. It has been endorsed and supported by the UN Secretary-General and the Heads of 20 UN organizations. It is jointly managed by FAO and IFAD, in close co-operation with WFP.

17. The ACC Network is intended to be country-focused and demand-driven. It aims to serve as a broker between partners committed to achieving food security and reducing rural poverty. It comprises thematic groups working on rural development and food security in countries, and a group of UN and civil society organizations at the international level<sup>14</sup>.

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<sup>14</sup> The Network's Web site <http://www.fao.org/sd/rdfs> provides complete background information on the Network, focal points in UN organizations, establishment of thematic groups, news and progress, etc.

18. The Network's main objectives are to:

- mobilise support for government efforts to implement the World Food Summit Plan of Action;
- reinforce ties between UN organizations and other stakeholders and promote complementary action in the areas of rural development and food security;
- exchange and disseminate information, experiences and best practices.

19. In order to actively participate in the network and promote the food security concept in Vietnam, a technical working group on the topic was established.

### ***Thematic Group in Vietnam***

20. Food security is a national priority in Vietnam, supported by a number of national programmes<sup>15</sup>. While the Government recognises that availability and stability in food supplies are not by themselves sufficient to guarantee food security, for many years food self-sufficiency has nonetheless been seen as the key element of national food security policy. Since the early 1990s, Vietnam has achieved impressive increases in agricultural productivity and output, particularly for paddy rice, contributing to improved food availability. Yet, despite these achievements, chronic food insecurity and vulnerability persist in different parts of the country, particularly in isolated and environmentally fragile uplands, and coastal areas prone to natural disasters. The rate of malnutrition is also among the highest in the region.

21. Given the multifaceted character of food security, most of the activities and programmes currently being implemented by UN organizations in Vietnam are contributing towards the realisation of the goals in the World Food Summit Plan of Action<sup>16</sup>. Programmes aimed at promoting rural development and poverty alleviation help to increase access to food and improve nutritional well being. Investments in agriculture, forestry, fisheries and rural infrastructure affect the availability of food and stability of supplies. Activities undertaken to reduce malnutrition, increase access to sanitation and safe water, improve food safety, and prepare for, and cope with, natural disasters, all contribute to enhanced food security.

22. The overall objectives of the group are:

- actively support the Government's efforts to implement the commitments in the World Food Summit Plan of Action;
- strengthen ties and build new action-oriented partnerships aimed at promoting food security in Vietnam; and
- exchange information, experiences and best practices related to food security and rural development.

23. Further specific objectives are identified for actual activities as developed. The group's objectives are reviewed yearly and amended as necessary.

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<sup>15</sup> Including the National Hunger Eradication and Poverty Reduction Programme (1996-2000) and the 1,715 Poor Communes Programme (1998-2005).

<sup>16</sup> In this regard, the "UNDAF Issue Paper on Follow-up in Vietnam to Major World Conferences" (Hanoi, September 1998) notes activities undertaken by FAO, UNDP, WFP, UNICEF, UNIDO, the World Bank.

***Agenda and work programme***

24. Given the national situation and priorities, the ACC Network thematic group in Vietnam focuses its activities on food security. These activities naturally have a strong relationship with rural development, not least since as much as 80 percent of the country's population is rural.
25. In particular, the group undertakes activities in three main areas:
  - a) support to the development of a food insecurity and vulnerability information and mapping system (FIVIMS);
  - b) capacity building of MARD which is responsible for the tasks previously assigned to the National Food Security Committee now dismantled;
  - c) advocacy and knowledge sharing to increase awareness about food security issues in Vietnam.

## CENTRAL PROVINCES INITIATIVE TO MITIGATE NATURAL DISASTERS IN CENTRAL VIETNAM

### THE CPI-PARTNERSHIP

#### 1. Long-term vision of the CPI Partnership

1. In the Central Provinces of Vietnam numerous natural disasters including floods, typhoons, landslides, and other hydro-meteorological phenomena affect the region annually. Recently, after the disastrous floods of November and December 1999, all donors to Vietnam recognized that these disasters are inhibiting the sustainable socio-economic development of the region. The vision of both government and donors is that the mitigation of natural disasters in Central Vietnam will facilitate long-term, sustainable development in this poor region of the country. This vision is called the Central Provinces Initiative to Mitigate Natural Disasters in Vietnam – the CPI-Partnership.

2. The vision of natural disaster mitigation facilitating long term sustainable growth contains a number of opportunities for sustainable development:

- Social development and poverty reduction through relocation of disaster prone populations, better irrigation systems, development of shifting sand agriculture, better water supply, and improved aquaculture.
- Disaster preparedness and response through enhanced preparedness planning, disaster area mapping, disaster modeling, insurance, and safe coastal refuge.
- Environmental and natural resources through environmental sustainability, floodplain management, and reforestation.
- Administrative reform, coordination, and better governance through provincial and national disaster management planning, river basin organizations, port authorities, and river basin master planning.
- Disaster proof rural and urban infrastructure through rehabilitation of structures, construction of new structures, river flow improvement, riverbank protection, salinity control structures, and coastal structures.

3. To develop this vision, a number of steps have taken place since December 1999:

- A Fact-finding Mission was fielded to Central Vietnam in January 2000 to prepare Terms of Reference for a comprehensive multi-donor mission to design the Partnership
- A *Natural Disaster Lessons Learned Workshop* was held in Da Nang City from 6 to 8 March 2000 to gather grassroots experience and to understand grassroots needs for natural disaster mitigation in Central Vietnam
- A Multi-donor Mission was fielded to the Central Provinces from 4 to 19 May 2000; twenty-five national and international experts participated in the mission with the goal of defining the program and institutional framework of the Partnership

- A donor meeting and briefing on the Multi-donor Mission was held on 31 May 2000 to introduce the Partnership to donors
- The Multi-donor Mission Report was prepared in September 2000 giving details of the Partnership

### ***1.1 Ownership of the CPI-Partnership Vision***

4. The primary owners of the vision are the Vietnamese Government, in particular the Ministry of Agriculture and Rural Development (MARD) and other Ministries concerned with disaster management, and multilateral and bilateral donors who participated in the Multi-donor Mission to the Central Provinces. Further ownership of the vision is being pursued by disseminating the Multi-donor Mission Report to all potential Central Province Initiative Partners, and by encouraging interested parties to participate in the CPI-Partnership as signatories to a CPI Partnership Memorandum of Agreement that is currently being formulated.

### ***1.2 Process of Creating the CPI-Partnership Vision***

5. In November and December 1999, the United Nations Disaster Management Team (UN-DMT) met on an ongoing basis to coordinate relief assistance and to solicit further aid for the flood-stricken provinces of Central Vietnam. At that time, UN-DMT members introduced the idea of taking an active rather than a reactive approach to natural disasters that are recurrent in the center of the country. The UN-DMT proposed an initiative where the program focus would be on natural disaster reduction through disaster mitigation so that there would be less damage to deal with when natural disasters do occur. This vision has been further developed through discussions and information exchange at Donors' Meetings in Hanoi; at the Central Provinces Lessons Learned Workshop; during the Multi-donor Mission; and from the feedback received after the dissemination of the first draft of the Multi-donor Mission Report.

## **2. Key steps to attain the CPI-Partnership vision**

6. A number of key steps have already been taken to actualize this vision of a natural disaster mitigation Partnership in Central Vietnam; these include a Fact-finding Mission, a Lessons Learned Workshop, and a Multi-donor Mission. The next organizational steps to attain the vision of a natural-disaster mitigation Partnership that facilitates sustainable socio-economic development are:

- The completion of the Final Mission Report and its wide dissemination
- The signing of a Memorandum of Agreement by Government ministries, Government authorities, non-governmental organizations, bilateral donors, and multilateral donors
- The creation of institutional capacity to develop and sustain the Central Provinces Initiative Partnership. This will most likely be a Secretariat that serves as a project clearinghouse, coordinating body, and planning organization that will ensure timely and effective implementation of the Partnership. A Steering Committee made up of Ministry officials with a stake in the Partnership will direct and guide the Partnership process, and be accountable for the funding mechanisms and arrangements that are put in place for the Partnership.

7. The partnership will undertake the following actions to achieve the partnership vision:
  - Initiate natural disaster mitigation programs selected concurrently by government and donors
  - Provide a focal point for information on individual donor programs and projects concerned with natural disaster mitigation
  - Provide a discussion and planning forum in biannual meetings between government and donors
  - Attract funding for high priority and urgent programs and projects

### **3. Role of different CPI-Partners**

8. From the outset of the CPI-Partnership, leadership roles have been taken by the Ministry of Agriculture and Rural Development, the Royal Netherlands Embassy, and the United Nations Development Programme. These organizations have also financed in large part the initial Partnership development missions, workshops, and other CPI-Partnership activities. In addition, these organizations - together with the Vietnam Red Cross, the International Federation of Red Cross and Red Crescent Societies, a number of development agencies, and bilateral and multilateral donors - have provided the national and international expertise necessary for appraising projects and programs that will mitigate natural disasters in Central Vietnam.

#### ***3.1 Breakdown of CPI-Partnership Responsibilities***

9. The CPI Partnership is still in a formative stage. The final Multi-donor Mission Report will soon be completed and the report will be disseminated widely. Those who wish to become CPI-Partners will enter into the process by signing a Memorandum of Agreement. This Agreement will spell out the various responsibilities and roles that the different Partners will be agreeing to. In terms of program responsibility, CPI-Partners will be participating in the following development areas:

<b>Donor Priority Development Aid Areas</b>	<b>Corresponding Recommended CPI Programs</b>
Social Development and Poverty Reduction	Relocation Planning and Development Irrigation and Drainage Systems Sandy Area Planning and Development Water Supply and Sanitation Aquaculture, Fisheries, and Agricultural Resources
Disaster Preparedness and Response	Disaster Preparedness Flood and Inundation Mapping and Modeling Natural Disaster Agriculture and Property Insurance Coastal Facilities
Environmental and Natural Resources Management	Environmental Sustainability Floodplain Management Reforestation
Administration Reform, Coordination, Capacity Building, and Governance	Provincial Disaster Management Planning National Disaster Management Planning River Basin Organizations Port Authorities River Basin Master Planning
Rural and Urban Infrastructure	Rehabilitation of Existing Reservoirs Construction of New Reservoirs Rural Infrastructure River Flow Capacity Improvement River Bank Erosion Protection Salinity Dams and Dikes Coastal Structures

#### 4. Key monitorable indicators

10. To determine the success of the CPI-Partnership, it is necessary to identify and then monitor key variables that indicate if the undertaking is attaining its goals. The following are some of the input indicators that will reflect on the development of the CPI-Partnership to Mitigate Natural Disasters in Central Vietnam.

- The number of partners who sign the Memorandum of Agreement;
- Creation of an institutional framework that include a Steering Committee, a Secretariat, funding mechanisms, and implementation arrangements;
- Programs and projects that are funded by donors;
- Programs and projects that are implemented; and,
- Number of communes and districts that benefit from program implementation.

11. The following are some of the output indicators that will show the effectiveness of the CPI-Partnership to mitigate natural disasters in Central Vietnam:

- Reduction in lives lost;
- Reduction in property damage;
- Reduction in the number of people displaced;

- Reduction in crop losses;
- Reduction in the loss of livelihood;
- Reduction in damage to infrastructure and public buildings;
- Reduction in water born disease;
- Reduction in salt water intrusion;
- Increase in sustainable aquaculture and agriculture;
- Increase in water resource availability;
- Increase in insurance coverage; and,
- Increase in the number of disaster proof houses.

## **PARTICIPATORY PROVINCIAL PARTNERSHIP TRA VINH**

1. The Participatory Provincial Partnership Tra Vinh (PPP Tra Vinh) is an initiative of the Tra Vinh Province People's Committee (PPC Tra Vinh), Oxfam-Great Britain (Oxfam-GB), United Nations Development Program (UNDP), and the World Bank (WB).

### **1. History and long-term vision of the Partnership in Tra Vinh**

2. According to preliminary documents underlying the Government's Socio-Economic Development Strategy 2000-2010 and its Five Year Plan 2000-2005, Government strives to achieve fast and sustainable economic growth in parallel with social equity, social progresses and environmental protection. Three ingredients in these aims are the utilization of domestic strength, optimal use of international aid, and consultation of citizens about Government plans in order to bring into full play the Government's principle "people know, people discuss, people execute and people supervise".

3. The **Provincial Participatory Partnership initiative in Tra Vinh (PPP Tra Vinh)** responds to this broad direction through its two core objectives:

1. to strengthen the province's capacity to manage and coordinate aid;
2. to encourage the use of information sharing and participation approaches in government as well as donor programs in the province, particularly those focused on poverty reduction.

4. PPP resulted from a workshop on aid management and coordination organized by the PPC of Tra Vinh and funded by Oxfam Great Britain in October 1996. Initially, the partnership was supported by a CIDA-seconded coordinator; from November 1998 onwards, PPP was supported by a Program Coordinator and a part-time International Adviser, guided by a First Line Manager appointed by the Provincial People's Committee (PPC) of Tra Vinh. Currently, in preparation for gradual phasing out of donor support to this Partnership, a national Coordinator remains the sole support person to the Partnership, while increasingly some responsibilities are taken over by PPC and DPI staff. The hope is that the partnership objectives can be sustained by the Province Government once external support will be ended, most likely after the third year of operation of the partnership, (December 2001).

5. Based on its two objectives, PPP Tra Vinh has the following long-term vision:

- Information flows related to development programs/projects, (including those supported by foreign aid) among the province's organizations and between provincial organizations and donors/NGOs are improved.
- There is effective cooperation and coordination among the provincial agencies involved in development and poverty reduction programs/projects, and between them and donor/NGO agencies; local authorities at various levels (province, district, commune) have the capability to effectively manage donors/NGO supported projects/programs;

- Local people are adequately informed about Government and donor/NGO projects/programs which affect their lives, through pro-active information sharing by Government and donors;
- Local communities and local people can actively and meaningfully take part in planning, implementing and monitoring these programs/projects in the province;

## **2. Activities undertaken to meet the long-term vision**

6. To meet the long-term vision, PPP Tra Vinh is implementing the following sets of activities:

### ***2.1 Support Tra Vinh in aid management and coordination, particularly as it relates to poverty reduction activities (including HEPR).***

7. Continuation over the coming 5-10 year period of the strong results on poverty reduction of the past 5-7 years is of paramount importance to Government. According to preliminary Government planning documents, it would like to reduce the rate of poor people to 5% (based on Government's own poverty line) by 2005, and would like to eliminate this proportion altogether in 2010.

8. The specific activities through which PPP tries to respond to this aim include the following:

- Undertaking an inventory of donor and government supported programs/projects in the province and analyzing its findings. This inventory helped the local authorities to get a good overview of the donors/NGOs currently working in the province, sectors receiving support, which are the major implementing local agencies and the geographic distribution of the programs/projects. In this way, the local authorities are able to appropriately allocate available resources among sectors and implementing agencies to obtain the highest effectiveness. They can also better steer interested new donors/NGOs to sectors and priorities that fit within the Province's poverty strategy, and that have been under resourced so far.
- Organizing workshops on poverty reduction strategies and approaches (including Participatory Poverty Assessments) and participatory project management. The workshops increase the understanding of local agencies and donors/NGOs on ways in which poverty reduction strategies and programs can be improved through better prioritization, planning of actions, delineation of the specific roles of each department, improvement in information sharing and participation by local communities, through enhanced sensitivity to gender and ethnic minority issues.
- Supporting the province to identify new opportunities for donor/NGO support to the Province's poverty reduction strategies by facilitation of high quality presentations by the Province to (new) donors/NGOs; and to facilitate joint activities among donors/NGOs in the province, e.g. the Action Study on Off-farm Opportunities in Tra Vinh by the Tra Vinh PPC, Mekong Project Development Facility (MPDF), UNDP and World Bank. This is very much in line with Government's plans (as elaborated in its preliminary planning documents for the next 5-10 years) to transfer laborers from

- agriculture into industry and service sectors, and to encourage business development through the implementation of one law on enterprises for all kinds of businesses.
- Propose to provincial authorities, where appropriate, new or amended decisions, regulations and approaches to improve aid management and coordination, information sharing and participation.

## ***2.2 Disseminate information to local people through various channels and forms.***

9. Based on the Government's principle that "people know, people discuss, people execute and people supervise", PPP Tra Vinh supports efforts to make sure that the beneficiaries of development and poverty programs/projects in Tra Vinh have access to information on policies, programs and projects that affect their lives, can voice their needs and expectations, and can participate. This is in line with Government's wish to strengthen people's monitoring and ability to offer views and comments. It has so far focused particularly on the information side, through aiding the dissemination of information on the (local) authorities' policies, decisions, and programs, and on donor/NGO supported programs/projects. Besides strengthening the voice of local people and grass root organizations, this concerted information outreach approach can also improve the effectiveness of project/program interventions and facilitate cooperation and coordination. Information outreach is realized particularly through the Tra Vinh Public Information Center (PIC Tra Vinh), which was set up by the Tra Vinh PPC with financial support from PPP core donors. Information dissemination is carried out via local libraries, dissemination of flyers and fact sheets via various channels such as television, radio, press, community houses, etc. Collaboration with the Province's efforts to implement the Grassroots Democracy decree 29 is also sought.

## ***2.3 Capacity building for local officials.***

10. In its preliminary planning documents for the next 5-10 years, Government emphasizes the need to invest many resources in human resource development and management improvement. The Partnership in Tra Vinh also has this capacity building emphasis, cutting across the other two sets of activities described above. This means capacity building related to aid management and coordination and to use of information sharing and participation approaches. PPP does this by on the job training, workshops/seminars, and study tours.

## **3. Role of core parties to the PPP partnership in Tra Vinh**

11. As stated above, there are four core parties in PPP Tra Vinh, i.e. the PPC, Oxfam-GB, UNDP and the World Bank. On the provincial government side, the Department of Planning and Investment (DPI), Foreign Relations Board (FRB), Department of Labor, Invalid and Social Affairs (DoLISA), Department of Culture and Information (DCI) and Tra Vinh Newspaper are also involved; they are, for instance, permanent supporting agencies for the Public Information Center.

12. Each partner contributes based on their comparative advantage: the PPC sets policy in the province and guides the PPP coordinator, thereby contributing to local ownership of the partnership's activities. Oxfam GB has particular strengths to offer in participatory methodologies that are also sensitive to gender and ethnic minority concerns, and in communicating grassroots level experiences and observations. UNDP and the World Bank are

particularly strong in technical assistance, macro-level interventions and management of large-scale and/or multi-sectoral programs/projects. They are also interested in increasing local people's participation in their programs/projects in Tra Vinh in order to improve the quality of those programs/projects.

13. The salary of the PPP coordinator, operational PPP activities as well as part of the establishment and operations costs of the Public Information Center are paid by the three donors, who pool their resources. The PPC contributes by assigning its staff support PPP's objectives (first line manager of PPP coordinator, PIC staff), facilities and other in-kind contributions.

#### **4. Main operational monitoring/success indicators**

14. In order to monitor and eventually evaluate its operational performance, the PPP partners are currently formulating some indicators for success:

##### ***4.1 Aid management and coordination:***

- PPC regularly updates the inventory of programs/projects undertaken in Tra Vinh, and uses the data gathered to improve its aid management and coordination;
- Provincial authorities are able to steer donors pro-actively to under-sourced sectors/priorities fitting within their poverty and development strategies;
- Local government organizations share data & information, as well as lesson learned in management of development and HEPR programs/projects;
- Donors to Tra Vinh make use of data, lessons learned etc. from other aid agencies working in the province in preparing their activities; and,
- Donors/NGOs involved in PPP share information with the Provincial Government in a pro-active way on planned missions, activities, etc.

##### ***4.2 Information outreach activities:***

###### ***- Quantitative indicators***

Output indicators:

- Number of public information bulletins issued;
- Number of flyers and fact sheets disseminated to district/communal levels;
- Number of programs with input from PPP and PIC broadcast on Tra Vinh radio and television;
- Number of visits to monitor outreach.

Impact indicators:

- Rate of positive feedback on bulletin;
- Number of visitors to PIC and rate of repeat visits;
- Percentage of population in 25 target poor communes who have received flyers and fact sheets; and,

- Number of complaints/comments received relating to implementation of government policies/programs/regulations.

- Qualitative indicators:

Impact indicators:

- Local people know more about programs/projects in their area, policies and regulations that affect their lives;
- Local people are more confident to voice their needs and expectations, in particular, to the government/donor/NGO staff;
- Local government officials demonstrate greater attempts to consult local people in planning and implementing development and HEPR programs/projects; and,
- Local government officials and programs/projects pay more attention to gender and ethnic minority issues.

**4.3 Capacity building for local officials:**

- Number of trainings provided to PPC and PIC staff relating to PIC activities; and,
- PPC and PIC staff are able to take over and sustain activities in aid management and participation without external support.

**5. Organizations and persons involved in drafting this note**

The following persons were involved in drafting this note:

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## WATER

### *Introduction*

1. Vietnam is experiencing a period of relatively strong economic growth based on a process of economic, social and administrative reform (“doi moi”) across all sectors. The Government is promoting “modernisation”, in order that Vietnam fulfils its potential. One of the keys to sustaining growth is the better management of the country’s water resources.
2. Despite its relative abundance, water is an increasingly vulnerable resource in Vietnam where population and economic growth compete for water to meet food requirements and other uses. Spatial and temporal variability of rainfall and runoff are high, even though, on average, ample water is available. Vietnam experiences severe flooding at certain times and droughts at others, and watershed degradation has exacerbated these effects.
3. Rapidly rising demands for water from rural and urban sectors for agricultural, industrial and household uses, pose a formidable challenge. Much of the existing infrastructure in rural areas (irrigation, drainage, flood control) is in a state of deterioration due to neglect, war and natural disasters, and more investment is needed to rehabilitate and improve it. Water quality is decreasing as agricultural, industrial and household users vie for scarce water supplies, and the development of effective rural domestic water supplies and sanitation has barely begun. In urban areas, the demand for water is expected to double over the next 20 years. To address these challenges, government will need to accelerate reforms, and bring about closer cooperation among sector ministries and donors.

### **1. The vision**

4. Government recognizes the challenge of the water sector and its response has been to pay closer attention to water management. Its vision for the future, formulated with the support of the Global Water Partnership, is for better and more efficient use of available water resources, managed in a more integrated and participatory way. The vision encompasses the management of water resources and the delivery of water services, especially for irrigation and drainage, and rural water supply and sanitation.
5. A new Law on Water Resources (LWR), which provides for significant reforms water resource management reforms, was passed by the National Assembly in May 1998. The LWR took more than 10 years to develop and its formulation was assisted by the World Bank. Many of the reforms set out in the LWR are now being implemented. Many donor agencies are supporting the process of change.
6. A National Rural Water Supply and Sanitation Strategy (NRWSSS) was approved by the Prime Minister in August 2000. The NRWSSS was prepared with assistance of Denmark, and promotes a demand-based approach with community participation in all project phases.
7. The LWR and NRWSSS place the major responsibility for attaining the Government’s water vision with the Ministry of Agriculture and Rural Development (MARD). MARD will play a central role in the establishment of a National Water Resources Council (NWRC) and River Basin Organizations (RBOs). MARD is also increasingly involved in rural water supply

and sanitation. In realizing the water vision, MARD will need to cooperate with other ministries responsible for water exploitation, management and protection (including the Ministries of Industry, Construction, and Environment) to achieve the necessary degree of coordination.

8. To improve delivery of water services, the government has adopted a decentralized and participatory approach. Provincial irrigation and drainage management companies have been established which are encouraged to become autonomous and self-financing. The participation of water users is being promoted through water user groups and cooperatives. The recovery of operation and maintenance costs is recognized, although subsidies are still large and service standards and performance indicators have yet to be established. To close these gaps, a process of sustained capacity building is needed based on a partnership among water users, service providers, and external support agencies.

## **2. Key steps**

9. The LWR became effective in January 1999 and represents a major step towards attaining the vision for integrated water resources management. The LWR sets out the main elements of the reform process, and the key steps or milestones for successful implementation.

10. The new Law and its main implementing decree (17911999-ND-CP) define the scope of water resources management in Vietnam and also identify the responsibility of each agency at national and provincial level in the implementation of its articles. An important principle embodied in the LWR is that the ownership of water rests with the people of Vietnam and is to be managed by the government on their behalf.

11. Article 58 of the LWR describes the responsibility of government for the management of water resources. It specifies (among other things) that the Government, through MARD, performs the role of water resource manager, with comprehensive and far-reaching powers. Other ministries are assigned responsibilities in implementing specific functions of water resources management. The People's Committees of the provinces and of cities are responsible for management of water resources in their own jurisdictions.

12. The LWR establishes the river basin as the primary unit of planning and management. Article 59 specifies that the National Assembly will decide on investment strategies for water resources works of national importance. The Government will approve planning of large river basins and important water projects, while MARD is responsible for approving the planning of river basins and hydraulic works systems, under delegation of the Government.

13. In Article 63, the LWR stipulates the major role of the NWRC is to advise the government on important water resources issues and to coordinate national water resources planning and management across the various ministries. One of the initial key tasks of the Council will be to commission and oversee a national water resources strategy and action plan.

14. Article 64 establishes the concept of a River Basin Organisation as the vehicle for the management of river basins. RBOs are to be established under MARD. The Government is giving priority to establishing RBOs in major river basins, including the Red River, Dong Nai and Lower Mekong River Basins. However, the exact role and functions of RBOs is not yet specified and must be established through decrees. Other important provisions of the LWR include the introduction of licensing for surface water extraction and a permit system for

wastewater discharge. A system for licensing of groundwater exploitation already exists, although it is not widely implemented.

15. The successful implementation of the LWR and initiatives for participatory management of water services will require a number of important changes. Current institutional arrangements for water resource management reflect a vertically oriented and fragmented subsectoral approach, which does not facilitate coordination or collaboration among agencies and stakeholders. Horizontal collaboration will be introduced over time, among ministries at the national level and among provinces at the river basin level. The establishment of the NWRC and RBOs should facilitate this process.

16. The limited capacity to implement these new approaches to water management is recognized by MARD and by the Departments of Agriculture and Rural Development at the provincial level. However, it is not easy to retrain technical staff with skills in irrigation, drainage, flood control, and water supply to become water resource managers. Also, Government has yet to provide the additional financial and human resources required to establish the RBOs and implement the LWR. Nevertheless, MARD has already adopted a comprehensive strategy for capacity building in water resources management and obtained significant commitments from donor partners to help implement this strategy.

### **3. Partner roles**

17. International donor partners are providing MARD and other ministries with substantial financial support for the water sector. The total expected assistance commitment amounts to hundreds of millions of dollars over the next five years. In addition, most donors, including the World Bank, ADB, Danida, Australia, Japan, and the Netherlands, have changed their focus from physical infrastructure development to a more balanced mix of development and resource management projects. There is increasing coordination among donors, who over the last two years have made a significant effort to improve the efficiency of available funds, and to coordinate their programs to meet the needs of the sector. The group of key water sector partners is led and coordinated by MARD and ADB. A Technical Assistance (TA) Cluster has been established which helps to coordinate the activities MARD's donor partners and their investments. The following summarizes the main roles of the various donor partners in the water resources reform process:

- **Legislation.** One of the four decrees for the implementation of the Water Resources Law has so far been enacted. This is the general implementing decree (Decree 17911999-ND-CP). It was drafted with the assistance of the World Bank, which is also seeking support for the preparation of the remaining three decrees.
- **Institutional Reform.** Implementation of the LWR is most advanced in the Red River Basin. ADB and the Netherlands have helped to design the RBO, an inter-ministerial body to be called the Red River Basin Commission, with a supporting office to be located in MARD. These donor partners are also supporting the legal instruments needed to establish these bodies and a strategic plan for the RBO.
- Additional TA projects are now being prepared to support establishment of RBOs in the Dong Nai (ADB and the Netherlands), Mekong Delta (Australia and World Bank), and Srepok and Ca Rivers (Denmark).

- ADB and the Netherlands also provide assistance to develop the functions, composition and operating protocols of the NWRC. These have been agreed, and a Prime Ministerial Decision was approved in July 2000 to establish the NWRC, whose membership has also been agreed. The first meeting of the Council is expected in late 2000. Australia is planning to provide supplementary capacity building support.
- **Water Resources Planning and Management.** Once established, the NWRC will commission a national water resources strategy and action plan. Several donors have pledged to support this process.
- A National Hydropower Plan Study being carried out by EVN with support from Sweden and Norway will assess national options for future hydropower development in the context of five river basins: Lo-Gam-Chay, Da, Ca, Se San and Dong Nai.
- A study of the potential for groundwater development in the Central Highlands is under preparation with support from Japan.
- In the Red River Basin, with support from ADB and the Netherlands, a licensing surface water exploitation and a wastewater discharge permit system are under development that can serve as models for use throughout Vietnam.
- A National Framework for Water Resources Information to improve coordination among water agencies in data collection and processing will be supported by Australia. The project will help to improve availability and sharing of water resources data among agencies, stakeholder groups and community data users.
- **Capacity Building.** At the national level, technical assistance will be provided to the NWRC via the TA Cluster. This will include support for capacity building from the ADB and the Netherlands and training from Australia.
- Assistance will be given to MARD, the Water Resources University and key water sector institutes to implement the LWR and the National Rural Water Supply and Sanitation Strategy, including support for curriculum development related to reforms in integrated water resource management and hydrologic modelling by Denmark and coastal engineering by the Netherlands.
- The World Bank and ADB have assisted the sector through several capacity building initiatives and lending operations. Implementation and management capacity has improved significantly in investment preparation, supervision, quality control and financial management. A decentralized and participatory approach has been applied to investment preparation, implementation supervision, and the delivery of irrigation and drainage services, including participatory irrigation management (PIM).
- The World Bank is supporting training and capacity building to improve dam safety with grant support from Italy. The goal is to upgrade the institutional, legal, regulatory and administrative arrangements for dam safety inspections, especially for emergency cases. This is important as Vietnam has many water storage reservoirs that need attention.
- **Water Resources Development and Water Service Delivery.** Preparation of investment strategies and projects are in progress throughout Vietnam. Institutional reform of river basin

management, irrigation management and increased user participation will be key criteria in selection of projects under the strategies assisted by all key donors.

- A water resources investment strategy for the Central Region, a geographic area that has been relatively neglected, will be prepared in 2001 by ADB and the Netherlands under the TA Cluster. The strategy will assess the impacts of a range of water investments on poverty reduction and the environment and its findings will be available to all donors to help improve coordination. Following preparation of the strategy, ADB will explore investment opportunities in the Northern Central Provinces.
- With assistance from Denmark, the World Bank is helping MARD to screen river basins in Central Vietnam for possible support under its forthcoming Vietnam Water Resources Assistance Program. The Program will support river basin development and management, and irrigation and drainage investments. Through the partnership created by the TA Cluster, initiatives in Central Vietnam will be taken in a co-ordinated way.
- A multi-donor initiative led by the Netherlands and UNDP has explored the needs for flood disaster prevention and mitigation in the Central Region. An investment and TA program is presently being formulated to address short, medium, and long-term needs.
- Denmark has long experience in the Srepok river basin, and has committed to provide a program of sustained capacity building for water resources management within MARD and its supporting institutions over the medium term.
- In the Red River Basin, a second sector project is being prepared with assistance from ADB and expected co-financing from France and the Netherlands. The project will assist water resources planning and management through the RBO, introduce a water licensing and discharge permit system, support water quality monitoring, and strengthen public awareness and education. Investment subprojects will support the rehabilitation of irrigation, drainage, and flood protection facilities, together with decentralized rural development support activities implemented with community participation.
- Denmark, UK, Australia, and UNICEF will support the implementation of the NRWSSS in different regions, involving the Center for Rural Water Supply and Sanitation to revise the national investment plan for RWSS.
- Other bilateral donors, including Japan and Finland, are providing support for a variety of water sector infrastructure projects that will assist in the implementation of the policies and plans, and the achievement of the goals and objectives, of the Government.

#### 4. Milestones

18. Some major milestones for future progress have been developed by the water partnership donors in consultation with MARD with indicative timeframes, as follows:

First meeting of NWRC	Quarter 4, 2000
Establishment of Central Provinces Initiative for Flood Disaster Prevention and Mitigation	Quarter 4, 2000
Establishment of Red River Basin Organization	Quarter 1, 2001
Establishment of NRWSSS Office within the Center of Rural Water Supply and Sanitation	Quarter 1, 2001
Establishment of RBOs for Mekong Delta and Dong Nai River Basin	Quarter 2, 2001
Completion of Water Resources Investment Strategies for the Central Region	Quarter 3, 2001
NWRC to recommend institutional arrangements within MARD in order to carry out its water resources management responsibilities under the LWR independently from its irrigation and drainage management responsibilities.	Quarter 4, 2001
NWRC will endorse a national water sector profile, a national water action agenda, and a national water policy for Government approval.	Quarter 4, 2001
Completion of National Water Resources Strategy and Action Plan	Quarter 1, 2002
Adoption of a National Framework for Water Resources Information	Quarter 1, 2002
Establishment of RBOs for Srepok and Ca River Basins	Quarter 1, 2002
Piloting of water exploitation and wastewater discharge licensing systems in Red, Srepok, and Ca River Basins	Quarter 1, 2002
Policy statement for planning and managing of the Dong Nai River Basin.	Quarter 1, 2002
Completion and approval of River Basin Plan for Red River Basin	Quarter 2, 2002
Completion and approval of River Basin Plans for Lower Mekong, and Dong Nai River Basins	Quarter 1, 2003
Completion and approval of River Basin Plans for all river basins in the Central Region	Quarter 2, 2003
National implementation of water exploitation and wastewater discharge licensing systems	Quarter 3, 2003

## **TRANSPORT**

### **1. What is the long-term vision?**

1. After a decade-long transition period wherein government strategy in the transport sector was focused on restoration of war-damaged facilities, strengthening of core transport infrastructure and removal or reduction of various restrictive policies on market entry, pricing, choice of transport mode, etc., the transport sector has now made significant progress. Nevertheless, the productivity of the transport sector is still low, institutional reform is far from satisfactory, and prevailing poverty has not been attended to effectively. While major transport infrastructure is improved and traffic increases, critical issues emerge such as maintenance (especially of roads), rural transport, safety, urban transport, and capacity to manage the transport sector more effectively. The transport policy that will attend to diverse issues requires an agreed long-term vision and solid strategies.

2. In June 2000 the Ministry of Transport (MOT) prepared the National Transport Development Strategy up to 2020. It is currently being discussed in the approval commission organized in the Ministry of Planning and Investment (MPI). The stated vision complies with the government's overall strategy to reduce poverty while attending to growth, as is stated in the Socio-Economic Development Strategy 2001-2010 (Draft). It is comprehensive, intending to satisfy the demand of the entire society including the poor for high-quality, low-priced, safe, and environmentally sustainable services in urban, rural, mountainous, and remote island areas and border communes throughout the year. For Vietnam to become an industrialized country by 2020, the MOT states that the transport sector must take a step ahead of the other sectors to serve socio-economic development, consolidate national security and defense, serve the national industrialization and modernization process and international migration, eliminate hunger and reduce poverty, and narrow the gap between mountainous and delta areas and between rural and urban areas.

3. Consideration was given to such aspects as rationalization and prioritization of investment in infrastructure, maximum use of existing transport capacity through effective maintenance and management, integration of various modes, strengthening of connectivity between urban and rural areas, enhancement of competitiveness of the transport system and its linkages with the world, and mobilization of internal and external resources including expanded user charges. The strategy also entails synchronizing socio-economic development and national security issues. The smooth movement of people and goods in an economically, socially and environmentally sustainable manner throughout the country is its clearly stated long-term vision. This vision is further interpreted in a set of strategies and policies relative to infrastructure development, funding, institutional strengthening, administrative and organizational reforms, competitive environment, human resource development, and available new technology.

4. Whereas the overall transport sector vision has been shared among stakeholders through participatory processes undertaken during the last two years with the MOT's initiatives, further efforts are being taken to draw out and elaborate specific key points to address unresolved problems and emerging issues. A challenge now for the transport sector is to contribute more directly to poverty reduction which is a national priority and to establish a mechanism by which

the sector will be managed more effectively to further promote balanced regional development and growth.

## **2. What are the key steps needed to attain this vision?**

5. The key aspects of the transport sector in Vietnam have been studied fairly extensively. Current strategies are made much clearer than ever owing to various studies and undertakings done with the MOT's initiative and the involvement of subsector agencies and stakeholders and with support of donor communities. The environment, leading towards more rational planning and policy decisions, is improved. The MOT's ownership of the plan is stronger and a number of specific actions to achieve the transport sector vision and strategies are delineated. They are categorically summarized as follows:

- (1) Institutional reforms are considered as the core element in improving transport sector management. These include the accelerated equitization of state-owned transport enterprises (SOEs), creation and reform of laws and regulations for the transport sector as a whole as well as for individual subsectors, organizational reform of the ministries to delineate their respective commercial functions, clear responsibility sharing among transport agencies and between central and local governments. Slow progress in the divestiture of transport SOEs is a serious concern of the government for which a major SOE reform program, which will include the transport sector, is about to be announced. The MOT has received technical assistance to support its divestiture program. The role of the public sector in transport should change further: the Government's role should focus on establishing a framework for a level playing field for all players in the market. Meanwhile private sector involvement should be increased to a much larger extent, particularly in improving operating and commercial efficiency, as proven in many other Asian countries.
- (2) Critically important challenges for the transport sector include securing adequate financing for development, operation and maintenance to ensure the sustainability of the country's transport infrastructure. It concerns the insufficient allocation of funds for essential maintenance of infrastructure especially of roads, and the need for new sources of development finance. The proposed road fund earmarked for maintenance based on off-budget user charges and user involvement aims to establish a stable funding source and mechanism. The proposal, though it requires elaboration of several institutional and management aspects, is being promoted by the MOT for the government's approval.

6. The MOT is further looking into the possibility of enhancing funding capacity through expansion of user charges, strengthening of the cost-recovery principle, increased involvement of the private sector in delivering transport services and management of the ports and railway, and so on.

- (3) The latest MOT Master Plan's capital investment amounts to US\$ 14.7 billion. While the Master Plan is prepared primarily based on the VITRANSS proposal, the increase in the investment size is largely due to the inclusion of a number of road projects from social and national security viewpoints. When US\$ 2.5 billion for maintenance/minor work is added, the total budget requirement will be US\$ 17.2 billion. However when the same amount of US\$ 3.0 billion for ongoing/committed

projects as that carried over to the Master Plan period will be again carried over to the next plan period (after 2011), the net budget requirement including maintenance/minor work will be about US\$ 14 billion or about 3% of the gross domestic product (GDP).

7. The MOT Master Plan is somewhat ambitious. Hence to avoid conflict, broad priorities as shown in Table 1 should be observed and the feasibility of projects, especially of the big ones, should be thoroughly studied. Through a more stringent examination of the priorities the Master Plan could be downsized to a more realistic level. Another potential area to reduce the cost to government is to increase private sector participation in revenue-generating subsectors such as ports, rail and aviation.

**Table 1: Required Funds for Capital Investment**

<i>Subsector</i>		<i>VND Billion (2001-2010)</i>				<i>Expected ODA (2001-2010)</i>	
		<i>Total</i>	<i>% by sector</i>	<i>2001-05</i>	<i>2006-10</i>	<i>VND billion</i>	<i>% to Total</i>
Inter-provincial Transport	Road	121,420	59.2	79,583	41,837	67,998	56.0
	Maritime	18,357	8.9	8,210	10,147	5,050	27.5
	Rail	11,080	5.4	6,144	4,936	2,602	28.5
	IW	3,819	1.9	1,820	1,999	2,340	61.3
	Air	9,744	4.7	8,568	1,176	n.a.	n.a.
	Subtotal	164,420	80.1	104,325 <sup>2/</sup>	60,095	77,990 <sup>1/</sup>	50.4 <sup>1/</sup>
Urban transport		25,492	12.4	15,055	10,437	17,542	68.8
Rural transport		15,315	7.5	9,275	5,940	3,430	22.4
TOTAL		205,227	100.0	128,755	76,472	98,962	50.6
Recurrent		35,000	-	-	-	-	-

Source: MOT except for air which is sourced from the VITRANSS

1/ Excluding air

2/ Including about VND 44,800 billion for ongoing projects

3/ US\$ 1.0 = VND 14,000

**Box 1: Broad Strategy for Future Spending**

- About 20% of the budget envelope should be allocated to maintenance and minor improvements.
- An adequate amount in the budget envelope should be allocated to the improvement of accessibility in rural (remote and mountainous) areas. Communes presently inaccessible should be provided with adequate access.
- Priority should be given to projects that remove bottlenecks and strengthen the network to meet traffic demand.
- Strategic transport infrastructure for land, water and air transport in and between the northern, central and southern growth corridors should be improved and integrated with transport links of regional and global markets.
- Urban transport should be improved to reduce congestion and support urban centers' function as engines of growth and gateways to regional and international markets.

*Source:* Adapted from the VITRANSS Master Plan Study

(4) Capacity building is attended to by the ministry more closely and seriously than ever. The ability to formulate policy, create plans/programs and implement and monitor policies is intended to be enhanced at all levels. Strengthening the capacity of the MOT and its agencies to plan and administer the transport sector includes defining the roles of agencies to make responsibilities clear and decision-making less cumbersome and more decentralized, improving the supply of information for developing and implementing plans and policies, and implementing coordinated institutional strengthening and human resource development programs. Technical standards to comply with international standards are also to be reviewed.

8. Recognizing that the MOT is in a pivotal position to formulate national transport policy, preparing planning guidelines and training of personnel at local level, monitoring sector performance, coordinating between and among ministries, building the capacity of the MOT and its attached institutions such as the TDSI need to be attended to urgently. Capacity strengthening at provincial level is equally important and is critical so much so that interventions must not be designed in isolation, particularly under the government's current move to decentralize and delegate transport infrastructure development and management responsibilities to provincial governments. The capability of domestic private sector to finance, operate and manage transport infrastructure and services is still low, resulting in unsatisfactory sector performance and slow progress in the divestiture program for transport SOEs.

(5) Enhancement of partnership between the MOT and other organizations including attached agencies, the private sector, NGOs, donors, and other stakeholders is also given importance to promote the reform process and sector management. A transparent and participatory process with various partners in implementing policies has been started but still at an early stage. Some promising developments in the sector include the co-financing of the Rehabilitation of National Highway No. 1, Second Rural Transport Project, Overseas Development Assistance Partnership for Ho Chi Minh City which includes the transport sector, the process involved in preparing the

Transport Sector Master Plan, and so on. The opening of the VITRANSS web site is likewise expected to contribute to promoting sector coordination. The establishment or strengthening of a mechanism for dialogue with the private sector through various transport associations of ports, shippers, lighters, etc. is expected to improve services to users.

9. Whereas the capital investment plan has been worked out reasonably through past studies in consultation with subsector agencies, the key step prior to making the final decision on implementation is verifying thoroughly the projects' feasibility from economic, social, environmental, financial, and technical viewpoints. Likewise key concerns that will determine more clearly the steps to solve current institutional issues and strengthen capacities of the transport sector remain.

### **3. What should the role of different partners be?**

10. Vietnam's entire transport sector needs improvement/development in many aspects, as has been confirmed in various studies. The improvement of the transport sector requires an integrated approach not only at the planning stage but also at the policy and project implementation level. While there are various steps for assistance by different donors, the most important is how these kinds of assistance are implemented in a coordinated manner without losing holistics. Projects and assistance of donors should not be planned and implemented in isolation or without compliance with overall sector development strategy and priorities. Coverage of donor assistance as a whole is extensive and has contributed significantly to the sector's improvement. However, there is still room for debate whether they can be more effective through better coordination.

11. The ongoing partnership meetings chaired by the Japan International Cooperation Agency (JICA) and co-chaired by the MOT intend to clarify who is doing what now more precisely. A questionnaire has been distributed and initial responses were obtained from various donors and are being consolidated. This is the initial step. It is expected that partnership dialogues would continue in the future through periodic plenary and small-scale meetings on key issues facing Vietnam's transport sector. A lead from the MOT will enable donors to collaborate more effectively and coordinate activities more efficiently.

### **4. What are the key monitorable indicators?**

12. Recognizing that the participatory approach in Vietnam's transport sector development is becoming more and more critical in formulating and implementing policy, plans and projects, a set of indicators that can be commonly shared and monitored by the government and stakeholders has become necessary. Plans and projects are monitorable in accordance with intended targets. However, indicators to be shared to monitor the performance of the transport sector as a whole, by subsector, by region, or by the poor as well as by relevant transport sector organizations are yet to be defined and agreed upon. Agreeing on a set of common indicators is an important area for the MOT and donors to work and cooperate on. An initial set of indicators will include the following:

- complete primary and secondary transport network by 2010

- provide transport infrastructure and services with all-weather access to all communes by 2010.
- ensure that an agreed percentage of roads is in good condition and receiving regular maintenance
- ensure that an agreed percentage of road contracts are won by private contractors
- establish acts/regulations for all modes
- introduce a road fund within three years
- reduce transport accidents and fatalities to the National Transport and Safety Review target

**OFFICIAL DEVELOPMENT ASSISTANCE PARTNERSHIP (ODAP)  
IN HO CHI MINH CITY**

**1. Long term vision of development of HCMC**

1. Ho Chi Minh City achieved great success in its economic development in 1990s, and is aiming at further development in the next decade. In its draft five-year socio-economic development plan for 2001-2005, the city has set its overall objectives, which are to achieve sustainable growth at 10% per annum, to focus on production and service sectors, to develop technical and social infrastructure, and to improve economic management mechanisms to be ready for globalization and regional integration. The city aims to develop 16 key industries (especially software, telecommunications, finance & banking and exports) in order to increase the per capita GDP from 1,365 USD in 1999 to 3000 USD in 2005. There will be a shift in sectoral development: more in industrial and service sectors and less in the agricultural sector; more in the private sector and less in the public sector. Planning for infrastructure development including the transportation system, water supply, water drainage, housing, and environmental protection are considered key objectives. Promoting job opportunities will be of high priority to reduce the unemployment rate to 6% in 2005, while annual population growth will be controlled at 2%.

2. In order to realize the above-mentioned targets, the city authority has looked for different resources to mobilise 180,000 billion VND (or 12.9 billion USD). Out of this amount, resources mobilised from the government budget only account for 10%, from state enterprises for 22%, from non-state enterprises for 25%. ODA and FDI account for 22%, an increase by 14.3% in volume compared to the period of 1996-2000. During 1996-2000, 80% of the ODA provided to HCMC was spent on the water and transportation sectors, 15% for environment and 5% on health and education. It is planned that in the next five years, ODA will be attracted for infrastructure development, environment, education, health and culture, and for strengthening capacity in public management, with a proposed distribution of 40%, 30%, 15% and 15% to those sectors respectively. The questions of effective mobilisation and management of ODA projects are critical to the city authorities. The idea of setting up a partnership on ODA in HCMC developed in response to these key needs.

***1.1 Background***

3. The Official Development Assistance Partnership (ODAP) in HCMC is a formally established strategic partnership between the HCMC People's Committee and a group of key international donors. The idea came out from the WB's City Development Strategy (CDS) exercise in 1998 where HCMC was selected as one of the pilot case study cities. Taking into consideration that the results coming out of the CDS would form the basis for discussion on the city's development alternatives and more ODA investment projects would be provided to the city, the establishment of such a partnership would be of great benefits to city authorities. The purpose of such a partnership is to mobilize coordinated support from donors according to their comparative advantages, to assist in overall strategy formulation and in the implementation of the priorities for investment and institutional strengthening. After several discussions with the city government and donors, the Memorandum of Understanding was signed in March 1999 by

HCMC People's Committee and the Asian Development Bank (ADB), the International Finance Corporation (IFC), the Japan Bank for International Cooperation (JBIC) – formerly OECF, the United Nations Development Programme (UNDP), and the World Bank (WB).

4. According to the MOU, the partnership is set up to improve the effectiveness of donor support through (i) providing a framework for identifying priorities for donor support to the city's development, (ii) striving for a consensus on policy reform and solutions to operational issues, (iii) facilitating project implementation, and (iv) coordinating donor knowledge and activities by sharing relevant information and enhancing access to documentation and project information. The vision of the partnership is that donors will continue to cooperate with Vietnam; ODA provided to the city will increase and that efficient ODA management will be required from the government in the cooperation between the city and donors. The partnership was planned to be carried out for two years to test the cooperation mechanism of such a new partnership in Vietnam.

## **2. Role of different partners**

5. The activities of ODAP are carried out by the Office of the ODAP Support Team (OST), which consists of a part-time international coordinator, a full time national facilitator and an administrative assistant/translator. The OST is based in the Cooperation and Investment Promotion Division (CIPD) within the HCMC Department of Planning and Investment (DPI), which was designated by HCMC PC as the focal point for the partnership. The personnel and office running costs are financed through a common donor fund managed by UNDP, while DPI contributes an additional staff member and the office accommodation.

6. A Steering Committee (SC) was set up, consisting of representatives of the five initial donors and city authority together with MPI, to direct the actions and take necessary steps to facilitate the contributions of the donors to the city. The SC is supposed to meet at least once a year and co-chaired by HCMC and a selected donor partner. At the first meeting in November 1999, the Belgian Technical Cooperation (BTC) – formerly BADC – was approved by the SC to be a new member. NGOs expressed interest in joining the partnership and this issue was brought up during the second SC meeting, however, it was decided that the current size of the partnership be kept the same for some time before expanding to include other members.

7. Along with the SC, ODAP Working Groups will be organised and will call for meetings to discuss specific activities. Different working group meetings were carried out before three workshops with representatives of all partner members to get consensus on the workshop content, logistical arrangements, responsibilities of each member and financial contribution. In these working group meetings, the city government took the lead in organising and chairing the meeting.

8. Financial contributions to the partnership to sustain its operation come from all partner members. In the first year, financial contributions from UNDP, WB and JBIC were channeled through and managed by UNDP. Funding has been committed by ADB, WB and BTC for the second year. In addition to official contributions via the UNDP common fund, financing from members was provided to specific activities on a case-by-case basis.

9. Consultation is made with all partnership members on ODAP activities in which different roles of members are identified. For the first workshop on resettlement organised in March 2000,

BTC was deeply involved in workshop preparation and facilitation as well as provision of funding for the workshop. In the second workshop on GIS organised in May, BTC was again involved in the preparation process and funding while ADB financed a resource person. The PC through DPI works on a day to day basis with the OST and has provided strong support for ODAP activities. At the moment, a full-time DPI staff member for the OST is provided and this assignment will be rotated to obtain maximum benefits for a wider range of DPI personnel.

### **3. Past achievements and planned activities**

10. After the establishment of the ODAP Support Team (OST) a workplan was prepared for the activities of ODAP in the first year. Since then, the key following activities were carried out: (i) collection of project data and associated updating of the multi-donor charts and project profiles; (ii) assembly of donor agency documentation on mandates, policies, regulations and standard procedures; (iii) collaboration on the DPI management information system (MIS); (iv) organisation of two workshops on resettlement and GIS and preparation for a third forthcoming workshop; organisation of two SC meetings; (v) compilation of a single set of mutually-agreed indicators for the city; and (vi) publication of four ODAP Newsletters. Active contributions from all members have been received in all activities

11. As mentioned in the MOU, results from the CDS study will form the basis for discussing the city's development options and for identifying appropriate actions to be considered by the partnership. Although the CDS was completed and its results were expected to be considered by the city in designing its ten-year socio-economic development plan as well as to be implemented by donor members, there is still only a vague linkage between the CDS results and the five year development plan of the city. Furthermore, ODAP's involvement in this CDS exercise was very limited.

12. In addition to above achievements, the ODAP team had carried out three ODAP surveys. The first one was to assess the role of the ODAP Newsletter in promoting information sharing. The Newsletter is published once every two to three months to provide an information-sharing service for the ODAP members and for others with an interest in the affairs of HCMC and in the Vietnam urban sector in general. The second survey was conducted at DPI to look at human resources management, the function and capacity of DPI staff and to explore potential needs for capacity building in the future. The third survey was directed at ODA PMUs, related consultants and concerned City Departments to identify problems and solutions to accelerate project implementation, preparing for the third workshop in late October. This workshop is designed to identify different issues faced by different Project Management Units (PMUs) and future trainings to be provided to these PMUs for better project implementation.

13. During the second year, the form of ODAP assistance in investment programming and the associated planning methodology will need to be determined in the light of the official follow-up arrangements determined for the CDS exercise. How to provide assistance to departmental and PMU project data management will be reviewed based on findings of the third workshop. More effort will be put to refine and regularly update multi-donors charts, project databases and to initiate an analytical review of the overall investment situation in HCMC. The "development dictionary", the supplement to the Newsletter, and the research and consultancy directory are planned to be carried out. City indicators will be established in the context of a sustainable institutional arrangement, in collaboration with the HCMC Statistics Office.

14. It is also planned in the second year that an exit strategy be developed to prepare for DPI to take over the complete ODAP support role with reduced dependence on external assistance. Operationally, the move would be from the predominantly passive coordination and information-sharing position to a more facilitative role in planning and investment methodology and common sector programming between donors.

#### **4. Success indicators and lessons learnt**

15. As mentioned in the MOU, the criterion for success is that the partnership facilitates the delivery of effective support by the partners to the city. As the primary client of the partnership is the city itself, success indicators can be seen through the frank and open discussions at the SC meetings and the feedback from the city in ODA management. This has been observed in the first two SC meetings, especially in the second one, where considerable time was spent on ODAP mandates, status and ownership questions. In general, all the partners express satisfaction with the progress achieved so far.

16. Lots of delays occurred during the first six months of the partnership due to weak joint action and funding issues. In terms of the length and imprints of the steps taken in setting up ODAP, it would have been better to use a gradualist approach at the start that would have allowed an opportunity for better participation and planning when the MOU was being prepared. Similarly, following the opening of the ODAP office with the expectation of immediate giant steps, it was found that the working relationships with our host department needed almost a year to work out and formalise procedurally. Such a partnership requires progressive learning process on both sides.

17. Another big initial step which also needed a more gradualist, less aggressive approach for the ODAP implementation support was the CDS exercise. It is the intention to use results of the CDS exercise to discuss different options of city's development and to identify the main lines of action needed to be taken for consideration of the partnership, however, this turned out not to have the expected impact in guiding the ODAP activities. Instead of becoming involved in identifying development priorities and jumping straight into policy reform, it would be more appropriate to concentrate during the first year on information-sharing and providing a forum for the members to all get together at the same time on topics of immediate, common concern.

#### **5. Organizations and persons involved in drafting this note**

The following persons were involved in drafting this note:

1. Mr. Koki Hirota, Chief Representative, JBIC
2. Mr. Takao Shimokawa, Representative, JBIC
3. Mr. Maurice Dewulf, Deputy Resident Representative, UNDP
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5. Mr. Terry Standley, International Coordinator, ODAP Team
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## URBAN SECTOR

### 1. What is the long-term vision for the urban sector in Vietnam?

1. The three cardinal concerns of Vietnam's overall development strategy: Growth, balanced development, and poverty alleviation can be addressed through urbanisation in three key ways:

- Enhancing the contribution of cities and towns to national economic growth. Currently, 75% of national output originates in urban areas.
- Ensuring an efficient and effective provision of services that a growing rural economy requires. Vietnam has more than 20,000 communes, 4 cities, 82 provincial cities and 560 towns. The majority of communes lack access to the full range of services.
- Creating non-farm jobs to absorb a workforce growing at the rate of 1.4 million workers per year. The ability of the economy to achieve this will determine whether the country will meet its poverty alleviation target or maintain its past achievement in poverty reduction.

**Table 1: The current and future status of urban development in Vietnam.**

<i>Item</i>	<b>2000</b>	<b>2010</b>
Urbanisation (Level)	23.5%	33%
Urbanisation (Rate)	5%	5.5%
Urban population	19 million	30 million
Drinking water	50%	80-85%
Sewerage	35%	85-90%
Solid waste	65%	100%
Hanoi	(i)	1.5 to 2.0 million limit
Ho Chi Minh		4.5 to 5 million limit
Haiphong		0.75 to 1.0 million limit
Other urban centres		0.5 million limit

2. The strategy presented in October 2000 by the Ministry of Construction recognises the positive relationship between urbanisation and economic development, and emphasises the need to manage urbanisation to preserve cultural and historical values, maintain ecological balance, and protect the living environment from natural and technological disasters.

3. The objective of the strategy is to gradually build a comprehensive system of well functioning urban centres that contributes to socialist development and national security.

4. The strategy envisages building a system of 6 centrally run cities, 68 provincial cities, 30 towns and 2,000 district towns. In addition, the strategy sets targets for urban services, ranging from water and sewerage, transportation, power, telephone, housing to open space. It recognises granting land rights "within a long-term time frame" as a strategic tool to spur investment in housing improvement for the urban poor. Preferential credits to the poor, basic education and

vocational training, improving access to information, building social capital, and forging public-civil society partnership are also advocated by the strategy to help the poor to break the poverty cycle.

5. Table 1 outlines the strategy's projected level of urbanisation in Vietnam.

## 2. Key steps needed to attain the vision

### Box 1: Four Prerequisites for Vietnam's Cities.

For Vietnam's cities to attain the vision, they must be *livable, competitive, bankable and efficiently managed*.

**Livability** entails: the provision of shelter for all; providing security of tenure; extending the coverage of basic services; ensuring greater equity in access to these services; addressing environmental pollution (through the provision of drainage, sewerage, sewage treatment, solid waste collection and disposal and the reduction of particulates in the air); and providing more green space for recreation and relaxation.

**Competitiveness** requires cities to build on their comparative advantage within the nation and globally. City governments must develop medium term strategies (city development strategies) on how to capitalise on their advantages.

To be **Bankable**, cities must be able to recover the cost, including debt repayment, of the services they provide and manage themselves in a manner that is sufficiently open and accountable to enable them to borrow for capital investments.

Cities must be **Efficiently Managed** to achieve all of the above. This will entail moving from the previous supply-driven to a demand-driven approach, which will require much greater citizen participation.

6. Urban management should be guided by three concerns: reducing negative externalities associated with market induced development, enhancing efficiency through public-private partnership, and ensuring transparency and accountability in public/private development. Additionally, there are four pre-requisites for successful cities (Box 1).

7. The strategy raises the following issues of immediate importance:

8. City-size: The recommendation prescribing city size should be pursued with caution. International experience suggests that there is no optimal size of a city. The larger the city, the more jobs are created. Larger cities also tend to be more efficient than smaller ones. For example, labour and capital productivity in Paris are respectively 34% and 27% higher than in the whole of France.

9. Urban poverty: Based on the experience of other countries, the urban share of the total poor tends to follow closely the level of urbanisation, although it is affected by policies cities adopt. The strategy has important poverty alleviation aspects: the granting of security of tenure to trigger investment in self-built housing, enhancing access to credit and information, and vocational training. However, there is a need to detail how these measures will be implemented because current policies related to land, for example, are cumbersome and fragmented among

various agencies. In this context, building partnerships should be a priority, to facilitate communication between city authorities and the poor.

10. Migration: HCM City and Hanoi respectively register 80,000 and 20,000 new arrivals each year. In HCM City, about 576,000 out of 700,000 migrants were not registered (1996). Those who are not registered are not entitled to access city services. The mobility of people and capital is the major determinant of the extent to which urbanisation can contribute to economic development. In most cases rural to urban migration is a result of increasing demand for labour in the destination cities: a policy that restricts migration may harm the economy.

**Box 2: Areas requiring priority attention**

Land: Land rights, Land transfer, registration/cadastral survey, servicing, renting and other procedural problems

Co-ordination: Within the city administration and with the adjoining provinces; co-ordination is particularly needed to streamline procedures related to the issuance of permits

Resource mobilisation: Rationalising land tax and tax administration to remove disincentives to formalising land and property transactions, simplifying application procedures to encourage private sector participation, housing finance, cost accounting, etc.

Environment: Enforcement of environmental standards; the brown and green agendas

Partnership: Partnerships with the private sector, NGOs and CBOs.

Information: Information exchange among principal stakeholders, making information readily available to the public.

Human resources: Covering the whole range of people, from city officials to community workers. Hands-on training should complement formal training.

Urban Upgrading: Urban upgrading is the least expensive form of urban development, both from financial and social points of view. It can play an important role in the transition of low-income ad hoc areas to fully serviced urban neighbourhoods. However, this requires working with communities in developing and implementing schemes. It also requires greater flexibility in the application of codes and standards during the transition period.

Community-based development: CBD creates social capital in a community. This is particularly important for poorer communities because they have to share facilities and services that help sustain them, and make it possible for their members to engage in remunerative activities. Experience gained to date should be reviewed collectively so that cities can adopt successful practices.

Urban Poverty: Poverty is a complex phenomenon and the major bottleneck in addressing it is the lack of recognition of its manifestations and root causes. The physical (limited access to services), economic (hurdles in pursuing remunerative activities, low-risk bearing capacity) and social (esteem, harassment, eviction, violence) dimensions of poverty require a concerted effort of all municipal departments in pursuing an approach that recognises the condition in which the poor have to survive as well as their contribution to the city economy.

11. Regional balance in development: Balanced regional development is a concern for many countries and is hinged on a number of considerations: national security, political stability, maintaining a proper person-land ratio, equity in the distribution of development benefits, etc. Urbanisation can help address this concern by providing appropriate levels of services

throughout the country through the hierarchy of cities and towns e.g. full service hospitals in the Class 1 cities and clinics in rural centres etc, and by developing those local resources that are demanded in the wider market. Careful analysis of the cost involved and the economic return on investment is required.

12. Urban system: The suggested hierarchy of urban centres is valid. However the position of a city in the hierarchy should be a function of its economic base, comparative advantage and the demand for services that emerge from its hinterland, rather than being predetermined. Since cities in a hierarchy perform different functions, cities will be treated differently from each other. For instance, government may wish to extend a greater degree of direct support to lower order cities to enhance the service function they perform for the rural economy. Larger cities, with their sounder economic base, may be required to be more independent of government grants.

13. Economic zones: The strategy envisages a series of Economic Zones and industrial districts, the economic feasibility of which needs to be reviewed.

14. Urban management: Cities differ in their size, economic strength and management capacity. However, key areas in urban management that are common to all cities require priority attention (Box 2).

**Box 3: Specific policy steps that should be considered:**

Greater *decentralisation*: Vietnam has made progress but is caught in the vicious cycle of more decentralisation being denied because of perceived, and real, lack of institutional capacity at the local level;

*Community/citizen consultation/participation*: Participation needs to be fostered. The provision of basic tertiary infrastructure through a participatory approach could be an important first step in developing this;

Increased *commercialisation and private sector participation* in the provision of urban services. This has already developed a foothold, but the legal and regulatory aspects will need to be addressed to enable the potential efficiency gains be maximised.

*Sub-national financing*: cities as the main source of economic growth will have to transfer revenues for the development of rural areas. However, work needs to be done to decide what levels of transfers are appropriate, and how much cities should be permitted to retain for discretionary developmental investment. Cities also need assistance to enable them to access alternative sources of finance such as bond issues, municipal development funds etc.

More effective *land administration and the development of real estate markets* to enable more efficient and equitable access to land.

15. A continued process of consultation within the government and with the donor community would enrich the policy debate and help the government and donors work effectively together. Box 3 outlines specific policy steps to be considered. With this objective, an Urban Forum where the government and the donor community could share views and ideas on issues raised by the policies should be established as a matter of priority. Given the range of issues involved, the Forum should have flexible “memberships” in terms of the level of representation and according to the relevance to individual agencies.

### 3. What should the role of different partners be?

16. Table 2 gives an indication of current involvement. The main players are JBIC, ADB, UNDP/UNCHS and The World Bank; bilaterals also play an important role. Bilateral donors are now giving greater priority to rural areas and this may cause a reduction in support to the urban sector. In the future it appears that JBIC, ADB, UNDP/UNCHS, BTC, USAEP and SDC will continue in the sub-sectors they already support. New entrants may include USAEP (assistance with planning in Haiphong), GTZ and DFID.

17. Donors support a move from traditional project lending to programmatic lending, which would allow more effective leveraging of progressive policy developments than by investment lending. Opportunities exist for developing programs either at the sub-sectoral city level e.g. the recently produced sanitation master plan for HCMC; at the overall city level e.g. buying into a city comprehensive development strategy; or supporting a sub-sectoral initiative nationally e.g. community directed development of basic infrastructure (slum upgrading).

**Table 2: Current Donor Involvement**

	Water	Sanitation	Solid Waste	Urban Trans.	Community Based Dev.	Capacity Building	Land Admin
JBIC		X	X	X		X	
WB	X	X	X	X		X	
ADB	X	X	X			X	
UNDP					X	X	X
AusAID	X	X	X			X	X
Finnish DIDC	X	X	X			X	
DANIDA	X	X	X			X	
BTC		X			X	X	
SIDA							X
NGOs					X		
SDC					X	X	

### 4. What are the key monitorable indicators?

18. Indicators are still being developed. Examples of possible indicators include:

- Number of cities adopting comprehensive development strategies;
- Land administration – percentage of households with land use certificates;
- Basic service (water supply, drainage etc) coverage in slums;
- Extent of community participation in developing plans and projects;
- Proportion of own-source revenues in city annual investment budgets

## ENERGY

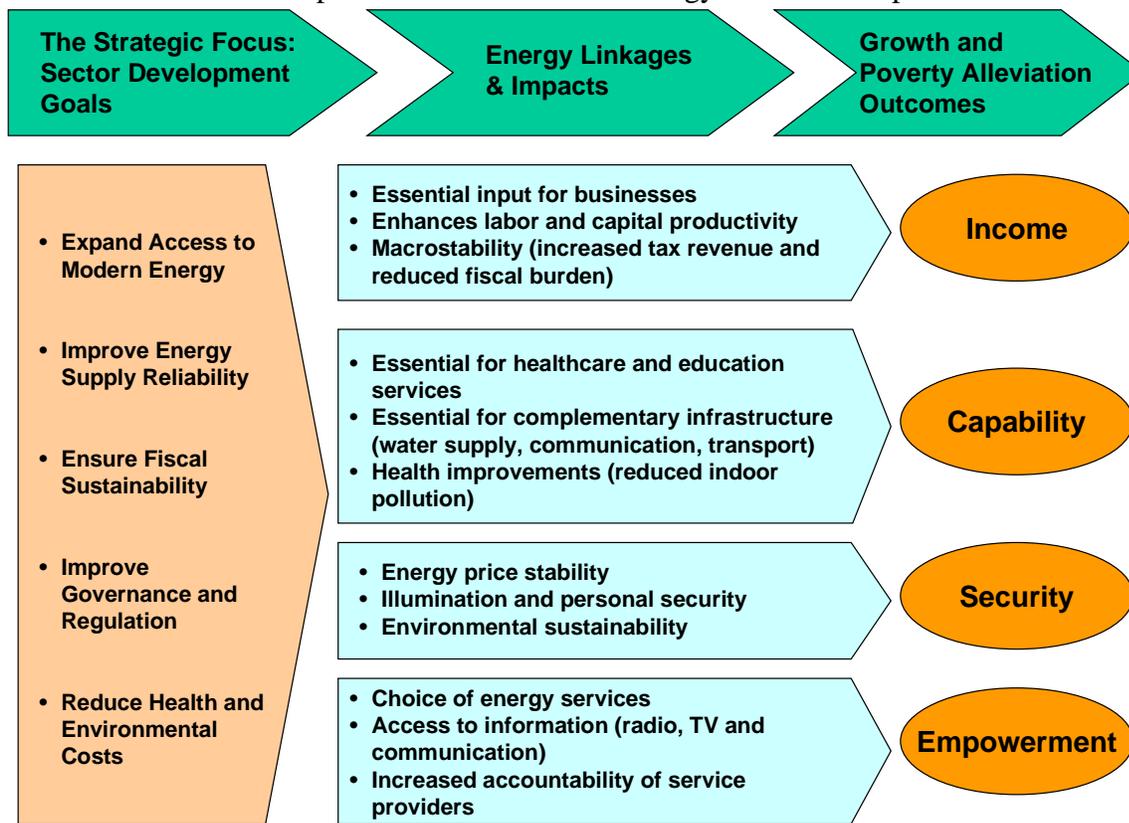
1. Increasing access to, and reliable supply of *modern/commercial energy* will be absolutely essential for enhancing household welfare, supporting economic growth and increasing income in Vietnam. Without efficient and adequate energy supply for households and commercial activity, it will be impossible to reduce poverty in Vietnam or achieve the target rates of growth.

### 1. What is the long-term vision?

2. The long-term vision and strategy for energy sector development in Vietnam are based on five basic goals.

- Expand access to modern energy
- Improve energy supply reliability
- Ensure fiscal sustainability
- Improve sector governance and regulation
- Reduce health and environmental costs

3. The attainment of these goals is absolutely essential to support Vietnam's transition from a low-income, resource-rich country to a middle-income country with significantly fewer households classified as poor. A framework for energy sector development is shown below.



### ***The Scale of the Challenge – Assessing Energy Linkages to Poverty and Growth in Vietnam***

4. To achieve the social and economic development targets of the Vietnamese Government will require total investments in the energy sector in the order of \$ 2 –2.5 billion per annum. Each of the sectoral goals to support the national development targets are discussed below:

#### ***1.1 Access to Modern Energy***

5. Over 60% of Vietnam's population lack access to modern/commercial energy (kerosene, electricity and cooking gas). Commercial forms of energy are key to increasing productivity, income earning capacity and welfare. The lack of access to modern energy has a large negative impact on household welfare, particularly for poorer households – there are several reasons: traditional biomass cooking fuels require time to gather and prepare, as well as causing indoor air pollution which disproportionately affects women and children; lack of electric lighting at the household and community level can reduce educational attainment and available productive work hours; reduced health care services due to lack of energy for lighting, diagnostic equipment and vaccine preservation; reduced availability of potable water supply and sewerage systems that depend on energy for pumping, system monitoring and cleaning. It is estimated that per capita consumption of modern energy would increase three-fold from its present low levels of 144 kgoe to 450 kgoe by the end of the decade. Huge investments and major policy interventions will be necessary to expand access and provide wider choice of energy supplies to the population.

#### ***1.2 Energy Supply Reliability***

6. Virtually all productive income producing activity requires reliable energy. Vietnam's forecast/expected economic growth rate averaging 7% annually is based on the rapid expansion of commercial activity, and the associated employment generation. All businesses, formal or informal, large or small, rural or urban, use energy to produce and deliver their goods and services. To meet economic growth targets, energy supplies will need to grow about 13 percent faster than GDP (electricity supplies will have to grow 70 percent faster). Total end use commercial energy supply will have to increase almost threefold by 2010 (from 13 million tonnes to some 30-35 million tonnes). Electricity generation will need to double over the next decade. Petroleum demand will double to around 22-25 million tonnes per annum and natural gas use grow from negligible levels to 7.5 billion cubic meters/year. Today Vietnam not only lacks a reliable supply of energy but lack of investments in new technologies often inhibit efficient use. Transmission and distribution losses are at extremely high levels of around 18%. Pricing reforms in electricity, LPG, liquid petroleum products are necessary. Investments in supply infrastructure and upgrading of existing systems will be necessary. Oil and gas development will require not only adequate incentives for exploration and development, but large investments in downstream market development.

#### ***1.3 Fiscal Sustainability***

7. The fiscal (and by-extension macroeconomic) impact of the energy sector in Vietnam cannot be overemphasized. In 1998, exported crude oil and coal accounted for 15 percent of total exports and imported petroleum products for 6 percent of total imports. Taxes on the electricity sector contributed US\$ 261 million to the state budget. The fiscal impact of energy taxation and

subsidies in Vietnam are very substantial. Potentially large resource royalties can be obtained from the oil and gas sector through the development of better fiscal-terms for exploration and production. Energy subsidies, which are now not appropriately targeted, could also be better designed to ensure maximum impact. Investment needs for expansion need to be met without incurring excessive contingent liabilities for the government, which would increase fiscal risk.

#### ***1.4 Sector Governance and Regulation***

8. Good sector governance and regulation is key to achieving the above three goals. Poor governance undermines the performance of existing sector enterprises and increases the investment risk for potential new entrants. Ineffective/poor governance and regulation affects the poor in two ways: reducing the sector's financial ability to expand and deliver services to poor households; and, leading to high-cost and inefficient operations that price the services beyond the reach of the poor. Several institutional reforms are needed in Vietnam's energy sector to increase access, increase energy supply and reliability to meet growth targets, and enhance fiscal sustainability. The long-term vision for the energy sector is to develop competitive energy markets. In the power sector the goal is to shift from a vertically integrated utility to an electricity pool interconnected to a regional grid, with private power producers accounting for 15-20 % of total generation capacity and the gradual equitization of the distribution sector. In the gas sector the goal is to shift from a gas trader to an open gas market. In petroleum products the shift would be from limited competition with a few related players to an open competitive one. The establishment of effective regulatory and coordinated policy making agencies/bodies would be an essential first step to making progress towards these goals.

#### ***1.5 Environmental and Health Impact***

9. Energy production, transport, conversion and utilization are processes that can have negative environmental impacts if improperly managed. With good management practices and incentives the impact can be managed and sustainability ensured. The long-term vision for the sector is to ensure environmentally responsible production and use of energy.

10. But to achieve this long term vision will require a clearly defined policy and strategic framework if Vietnam is to increase energy supplies to meet growth targets, develop energy resources along an environmentally sustainable and socially equitable path, ease financial constraints in the sector, and promote sustainability and efficiency. Global experience shows that building an effective energy system is one of the most difficult and challenging aspects of any reform program. Improving access will require the electricity industry to improve its efficiency in both physical and financial terms. Energy for the remote mountainous areas will require the development of renewable energy sources. Improvement in system efficiencies will require investments in upgrading the system and system operation through linking of regional grids. To meet the targets of the oil sector, it will be essential to discover 50-70 million tonnes of oil reserves every year requiring an investment of \$120-170 million in exploration alone. These discoveries will be essential to maintain a minimum reserves to production ratio of 9-10 years. Besides exploration costs, the upstream investments needed will be at least 5-8 times as much and if refineries are built, this will require further investments of about \$ 1.5-3 billion. Gas development will require not only additional exploration but also creation of an infrastructure and downstream market development and adequate incentives for exploration and development. Efficient gas based power and petrochemical industry can be created given the necessary

investments and developments in technology, and a proper pricing structure and integrated planning. Coal industry could be developed to export through integrated policies that provide exports at a competitive cost. Alternatives of exporting power from mine mouth plants could stimulate the coal industry besides alleviating its environmental impacts. One of the main drivers of progress in the coming decade will be technology. Development of new drilling techniques, deepwater exploration, enhanced oil recovery, marginal field economics, gas based petrochemicals, distributed generation, renewable energy are all areas that will shape the energy sector of the future and Vietnam will need to ensure access to the latest technology and management. And to achieve the targets projected in the long term vision of the government will require total investments in the energy sector of the order of \$ 2 –2.5 billion per annum.

## **2. What are the key steps needed to attain the vision?**

11. Clearly defined policies, implementation strategies and revolutionary institutional reforms are necessary to achieve the long-term sectoral and national goals.

### ***2.1 Policy/Strategy Clarifications:***

- Financing Strategy – clarifying the relative proportions of government budgetary support, private sector and ODA financing to meet growth and investment targets. (Donors to provide a clear forward-looking view of their support)
- Define the role of the private capital and private ownership in the energy sector – clarifying the areas of the energy industry where private ownership will be permitted.
- Defining the future competitive industry and market structure of power and gas sub-sectors.
- Strategy for natural gas development and commercialization.
- Promulgation of national criteria to guide government approval of large-scale energy infrastructure investments – intended to avoid uneconomic decisions (e.g. oil refineries, gas for fertilizer, etc)
- Issuance of a comprehensive energy sector policy paper (probably issued by the National Energy Policy Council or agency such as MPI) to serve as the “road-map” for legal and regulatory reforms and changes in the sector and market structure during the transition.

### ***2.2 Tariff Policy***

- Agreement on power tariff principles, such as: (a) an adequate tariff level that provides efficient long-run marginal cost signals and covers reasonable financial costs; (b) regional variation in tariffs to provide appropriate operating and investment efficiency incentives (e.g. investment in low-cost distributed generation); (c) national life-line rates set at an appropriate consumption threshold.
- Gas pricing policy: Establishing a natural gas price that balances supply cost and market value – negotiated initial price with indexation.

- Subsidy policy: Determination of a method to provide targeted subsidies for rural electrification and other social investments.
- **2.3 Institutional Reforms**
- Regulatory agency: Decisions on functions, institutional structure and composition of regulatory agency. A combined gas and power regulatory agency should be evaluated.
- Legislative framework: Finalization of Electricity Law that will establish the regulatory agency for power.
- Policy Coordination Agency: Decision to create a national energy policy council/commission to ensure that developments and policies are coordinated across the different sub-sectors. Agency intended to avoid the unsustainably high economic costs that result from poor coordination.

### 3. What should the role of different partners be?

12. The international community can help the government achieve its long-term vision through effective partnerships. The government of Vietnam, in association with the World Bank, has taken the lead in developing a partnership with other donors in providing assistance to the government in the sector. The Bank report “Fueling Vietnam’s Development: New Challenges for the Energy Sector” (1998), prepared in collaboration with the government of Vietnam, provides a framework for Bank and other donor participation in the sector. During the past year, a large number of workshops and roundtables have been held to help the government agencies develop their policies and plans for the next millennium (Table 1).

**Table 1:Recent workshops/roundtables**

<u>Workshops/ roundtable discussions and interactive seminars</u>	<u>Lead Government/ agencies</u>	<u>Donors</u>	<u>Private sectors/ NGOs</u>	<u>Community</u>
Regulation in the energy sector – February	MPI	✓ □	✓ □	
Petroleum law and decrees- March	OoG	✓ □	✓ □	
Institutional options in rural electrification- August	EVN	✓ □		✓ □
Electricity law and policy roundtable- September	MOI	✓ □		✓ □
Rural electrification implementation- August	EVN/PC’s	✓ □	✓ □	✓ □
Energy strategy and the long term vision- October	MPI	✓ □	✓ □	
Renewable energy action plan- October	EVN	✓ □	✓ □	
Natural gas policy and regulation- October	PVN	✓ □	✓ □	
Energy efficiency- June	MOSTE	✓ □	✓ □	✓ □
Community based mini grids- August	EVN	✓ □		✓ □

19. In the past five years, international donors have provided about \$ 2.9 billion (JBIC \$ 1, 850 million, WB \$ 694 million, ADB \$ 180 million, SIDA and other bilaterals about \$ 150 million) for the development of the energy sector. But their strategies are changing. In the medium term, JBIC plans to focus on, besides the ongoing projects including O-Mon thermal power project and Dai Ninh hydro, on multipurpose hydro, transmission and distribution, rural electrification and coal based power. WB is focussing its strategy on improving access (Rural Energy 1 and 2), improving system efficiency (System efficiency improvement and equitization project), and catalyzing private investments (IFC, PRG, PRG for hydro). ADB will concentrate in its future projects on expanding subregional networks and on catalyzing private investments to finance future sector expansion. The priorities for SIDA credits will shift to investments in distribution, transmission and generation based on renewable energy with a focus on improved energy supply to the disadvantaged areas. ADF has provided a credit for about \$ 20 million for rural electrification. In addition to loans and credits, international donors plan to remain active in providing grant funds for technical assistance for improving legal/regulatory and institutional environment, energy efficiency, capacity building, sustainable energy development, training and strategic studies for structural reforms. It is clear from the medium term strategies of the donor community that there is:

- a shift to a greater focus on poverty alleviation and increasing access to the remote areas,
- declining interest in the direct financing of thermal power generation projects,
- increased willingness to help catalyze private investments through guarantees and other credit enhancements,
- a gap emerging between the investment needs of the country and support from the international donor community for direct investments in the next decade. Unlike the past five years when an average of \$ 500 million per year was provided by the international community, it is estimated that in the medium term only about 15 % of the total investment needs of \$ 2 billion/year will come through concessional credits from the donors. This will require a serious rethinking on the part of the government in developing its financing strategies for the energy sector in the coming decade. In the absence of adequate agency self financing and donor funding, private sector funds will have to play an increasingly important part in the growth of the energy sector.

## **PUBLIC ADMINISTRATION REFORM**

1. The aim of this note is to briefly review the current co-operation between the Government of Vietnam and its international partners in Public Administration Reform (PAR). The four following “CDF Questions” will be discussed:

- 1) What is the long-term vision for the sector?
- 2) What are the key steps required for achieving the vision?
- 3) Who is doing what and how can we forge stronger partnerships?
- 4) What are the key monitorable indicators of progress for the short- and medium-term?

2. In 1998 a donor-working group on PAR was established with the aim of promoting a dialogue with the Government on policy issues emerging, among others, from the implementation of donor supported PAR projects. The number of issues arising from PAR project implementation led to a split of the working group, one arm concentrating on more technical issues and exchange of best practice, and the other arm retaining the idea of a policy dialogue.

3. In 1999 both the Government and donors started questioning more seriously the real progress of the PAR programme. Concerns were also raised over the real value of donors' contribution to the PAR process. The need for a comprehensive PAR vision and strategy to improve impact and results started to come more and more frequently as a part of discussion. As a first step key donors in the area of PAR advocated the usefulness for the Government to undertake a comprehensive review of all administrative reforms initiated by the Government since 1995 to take stock of accomplishments, issues and options for past and future reforms with a view to possibly formulating a comprehensive PAR strategy. The Government "bought into" the proposal, which was found to be addressing a priority need already identified by the Government. With UNDP as co-ordinating agency, a number of donors particularly interested in this subject - ADB, Denmark, Sweden, Germany and the Netherlands - joined in to provide technical and financial assistance to the Government. This is the background and context of the current partnership.

### **1. What is the long-term vision for the Public Administration Sector?**

4. In 1995 The Government of Vietnam officially launched a Public Administration Reform (PAR) Programme following the resolution of the 8th Party Plenum of the 7<sup>th</sup> Congress. Despite initial key results the efforts so far have been rather sketchy. Many pilot initiatives were launched at both central and local levels based on the principle of “learning by doing” and testing on a small scale before possible replication on the national scale.

5. While the Party and the Government have been unambiguous in emphasising the need for administrative reforms as reflected in the 7<sup>th</sup> plenum and the latest sessions of the National Assembly, the outline of a tangible implementation strategy of the PAR has been fairly general. The longer-term vision on how the state administration is supposed to serve and be responsive to the people's needs in Vietnam's transition towards a more market-like economy has not yet been

clearly delineated. The lack of an overall reform strategy and the inadequate answer to the “how” questions have made the implementation task very difficult.

6. As such, the undertaking of a comprehensive PAR Review, as proposed by UNDP in 1999, came in a very timely fashion. Recognising the need for a comprehensive overview and with the renewed importance attended to PAR by the Party, Government and the National Assembly, the Government Steering Committee (GSC) on PAR was mandated to undertake the Review and assigned the task to the Secretariat of the GSC. A key objective of the PAR Review, which was carried out by the Government with support from the donor community, was to prepare a report, which would provide the basis for:

- a) The formulation of a Government strategy for PAR 2001 – 2010; and,
- b) Input to the political report to the ninth Party Congress scheduled to be held in the first quarter of 2001.

7. The global report on the PAR Review was submitted to the Prime Minister in July, 2000. This Review is the first structured and holistic step required in achieving the vision. It covers five closely related themes, namely political orientation for PAR; institutional reform; organisational restructuring; human resource management and development and public finance management. The inclusion of public finance management, which was not included in the Government's PAR programme so far, is a remarkable step forward whereby the Government now recognises that PAR and public finance management are inseparable. The five sub-reports produced by experts from Government agencies with assistance from international experts have been fed into the global report with concrete recommendations for development of a PAR strategy.

8. Based on the Government’s own analysis in the PAR Review it is hoped that a vision for could be based on the following fundamental principles:

- A clear indication of why PAR is needed and what higher objectives (economic, social etc) the PAR should support and be anchored to.
- Public administration should focus on macro management and policy direction and refrain from deep intervention into economic and social life (steering rather than rowing).
- Public administration should be serving rather than ruling.
- The public administration should be based on the principles of speedy, cost-efficient, effective delivery of public services.
- Administrative power should be decentralised to the lowest possible level without jeopardising uniformity, efficiency and effectiveness.
- Public administration should ensure transparency to enable people to control state activities.
- Public authority should be exercised according to the principle of “rule-of-law”.
- Public offices and officials should be responsive to people's needs and accountable for their decisions and actions.
- The contingent of public servants should be professional with high moral standards.

9. This points towards a vision, which is built on improved clarity about the role of the state and the non-state sectors in a multi-sector and market-oriented economy as a prerequisite for PAR.

## **2. What are the key steps needed to attain the vision?**

10. Global experience shows that building an effective and accountable public administration is one of the most difficult and challenging aspects of any reform program. Furthermore, the experience indicates that no country has so far succeeded in fundamentally reshaping its public administration without a clear vision and strategy for implementation. Effectiveness is strongly linked with the ability to integrate the development of the administrative system with clearly defined policy goals.

11. The first step has been the decision by the Government to embark on the design of a strategy for its future PAR efforts in the years 2001-2010. The PAR Review completed in June 2000 will serve as a platform for the development of this strategy.

12. The framework for the development of the PAR strategy is based on three parts:

- 1) An outline of the context of PAR (based on the PAR Review);
- 2) The objective, guiding principles and content of PAR 2001-2010; and,
- 3) A plan for implementation of the strategy.

13. The deadline for submitting the strategy is the first quarter of 2001. However, a number of additional detailed studies analysing specific PAR areas would have to be carried out. Thus the development of the strategy should be viewed from a process-oriented perspective. Based on the positive experiences from the PAR Review, UNDP has been requested by the Government to support the Strategy development and co-ordinate further donor assistance. The development of the strategy draws extensively on the approach applied in the PAR Review, where national consultants from Government agencies took the lead in carrying out the analysis supported by methodological advice from international consultants. The provision of adequate financial and technical resources from the donors and an orchestrated co-ordination of these are one of the key success elements in effectively assisting the Government in drafting the strategy.

14. At a more fundamental level a key step towards achieving the vision of an efficient public administration capable of serving a market and multi-sector economy requires a policy-setting state providing the enabling environment for the people. A public administration instrumentally serving the socio-economic development requires in concrete terms a redefinition of the role of the public administration vis-à-vis the private sector and the civil society.

## **3. Who is doing what and how can we forge stronger partnerships?**

15. The Government attaches high priority to the PAR. On its side, the donor community has also accorded high priority to responding to the need for assistance in this area, with about twenty projects (a lot of other projects also work with PAR related issues) working primarily in the fields of institution-building, organisational restructuring and human resource development. The key donors supporting the Government in the PAR area are the ADB, UNDP, Sweden, Norway, Denmark, Germany, Holland and Switzerland.

- Two conditions are vital for the establishment of a potent partnership. First of all actors in the partnership have to be committed to and commonly define the purpose of the partnership. Secondly, a clear framework and agenda should serve as a guideline for partnership actions. Both these conditions were fully met in the PAR Review. Based on the experience from the PAR Review the following factors are critical for the success of the partnership for future endeavours:
  - 1) the right timing and entry point;
  - 2) synergy with national priorities;
  - 3) recognition by the Government of the potential value of the exercise;
  - 4) approaches that appeal to all stakeholders;
  - 5) highly motivated and committed national counterparts ready to take the lead role and ownership; and,
  - 6) a clear framework and open information sharing.
- It is hoped that the PAR strategy would provide a much clearer framework in which donor assistance to the Government can be more systematically targeted.
- The PAR partnership should maintain policy dialogue and close co-ordination, and establish linkages with the partnership groups on poverty alleviation and international integration.
- Further methodological advice, a series of workshops, round table discussions and sub-sectoral analysis would be some concrete steps in this partnership process.

#### **4. What are the key monitorable indicators of progress for the short- and medium-term?**

16. At the general level the key indicators of progress within the field of PAR are at this stage process oriented:

- 1) PAR strategy finalised and approved by the Government in first half of 2001 clearly outlining specific areas for targeted interventions;
- 2) PAR partnership continued and expanded at the reform of the Government based on the approved strategy;
- 3) Workshops, Round-table Discussions and sub-sectoral analysis discussing how to ensure the implementation of the PAR Strategy throughout 2001;
- 4) PAR linked clearly to socio-economic development through political renovation and economic reform (for example implementation of enterprise law and one-stop-one-door model) in the PAR strategy with PAR being a means to sustainable human development;
- 5) Dialogue between PAR partnership groups and partnership groups on poverty alleviation and international integration established; and,
- 6) Public administration perceived as a facilitator and service provider by the people.

## LEGAL SECTOR

1. This note outlines key issues relating to partnership in the legal sector including 1) the need for partnership; 2) the partnership's vision and measurement indicators; 3) the partnership building process and key steps; and finally 4) next steps.

### 1. Need for partnership

2. Legal development falls among the sectors where the need for a strong partnership is felt very strongly. Firstly, because the Government is still in the early stage of implementation of the principles of the Rule of Law adopted in 1992. Impressive efforts have been made by the Government towards the goal, but much remains to be done and achieved. Secondly, law affects entirely every aspect of one's life. The quality of the legal framework and its effective, fair, and equitable implementation, through the complex law making, judiciary and other law enforcement machinery, could also greatly affect Vietnam's external relationships. This issue is particularly relevant in the area of economic integration. Thirdly, as elaborated in more detail below, the comprehensive legal system development of the country will require very large financial and human resources. Comparative perspectives and experiences of the participating partners could save valuable time and other resources, and make the development process more effective and efficient.

3. Current efforts in development of the legal/judicial system have shown a great deal of shortcomings and gaps, which need to be addressed in a strategic way, including the following: a) lack of clear law development strategy<sup>17</sup>; b) inadequate institutional process/framework for effective law implementation and enforcement, esp. in regard to quality and independence of court trails and supervision by prosecution institutions- as a result, promulgated laws have not been well enforced; c) lack of internal and external coordination strategy and action plans<sup>18</sup>. Currently a clear strategy framework, and action plan to better coordinate both the reform activities carried out by the Government and external assistance to the legal/judiciary sector, do not yet exist.

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<sup>17</sup>In every legislative term, the National Assembly sets a five-year law-making agenda, which is reviewed and updated every year, resulting in resolutions for the yearly law-making programme. This very practical approach is meaningful in meeting the most pressing needs of the country in a timely fashion, but its long-term and strategic vision and legislation priorities are not clear. Furthermore, it focuses more on law-making and does not pay equal attention to other essential elements of comprehensive legal/judiciary system development such as law implementation [enforcement], legal information and dissemination, and education and training, etc.

<sup>18</sup>The current highly consultative law-making process, encouraging agencies and institutions at various levels to suggest law initiatives, leaves excessive room for sector and local subjectivity and contains elements of spontaneity. Coordination among state agencies in law-making and law implementation/enforcement is being constrained by lack of clarity in roles between individual sub-sectors and within them. Cross-agency drafting teams tend to be dominated by the lead agency, leaving insufficient room for the participating agencies to make their role. Furthermore, voices of ordinary and grassroots groups in the law-making and implementation process have yet to be heard in an effective manner. People's participation in law-making and implementation processes through their mass organizations such as the Women's Union, Farmers' Association, via professional associations such as VUSTE, VLA, and VEA etc., or with the presence of lay assessors as part of the judgement council in court trials, need to be expanded and reinforced. Current procedures to improve this situation tend to be inappropriate being formal, simplistic and superficial. Internal partnerships in the legal sector therefore deserve further development.

## 2. Partnership's vision and measurement indicators

4. The positive experience in a number of other sectors, notably in respect of water resources, forestry, health, poverty alleviation, and recently in the PAR area, has shown that a partnership approach should be highly recommended for the legal sector.

5. Similar to other sectors, the vision for partnership in the legal sector could be seen as a) a **government-led open process** in the short run, but should be **result-oriented** in the long perspective; b) a forum for policy dialogue; and c) as **means** to target national priorities in the sector, but at the same time as an important objective of **co-operation** between the Government and the donor community.

6. Advantages that a real partnership could bring would include the following: a) it could facilitate the building of a **common understanding** leading to a **joint action framework** for all players, i.e. the Government and the donor community, to act jointly in order to respond to the country's priority needs and achieve its strategic goals in a satisfactory, cost-effective and timely manner; b) it could save time and other resources; c) while ensuring national ownership, it could at the same time promote the participation of each donor in national programme/activities, by streamlining and integrating external assistance of the donors into the national framework and process, ensuring sustainability and greater impact of the assistance; and finally d) it could help make donor's contribution to the country's development process more effective, visible, accountable and transparent. To arrive at the above vision, a number of partnership indicators have been identified. Key indicators of progress in this field should be, for the short term, **process-oriented with some key steps and measurement benchmarks**, as briefly elaborated in the table below.

7. A joint assessment mission, to be carried out after the government-led roundtable meeting in October, is tasked with defining a set of monitorable medium- and long-term indicators of progress in developing Vietnam's legal and judicial system.

## 3. Partnership development process and key steps

8. Since the late eighties, when the country officially started to implement and realize its renovation and open door policy, more than 15 different donors (including NGOs) have been and are still currently assisting approximately 100 activities, ranging from very small pilot activities to long-term advice on a variety of subjects, in some twelve areas of the legal and judicial system. Except for a few areas, donors have been involved in every single area of the legal development system. But all of these interventions have tended to take place in a scattered and uncoordinated fashion.

9. While the Government attaches high priority to the area of legal/judicial system development, the donor community has also accorded high priority to responding to the country's need. The efforts, so far, have however not been managed through a **strategic framework**, which would effectively target the priority areas.

10. **An initial partnership in the legal sector started to form in the summer of 1999.** The government agencies, which are charged with the role of coordinating external assistance to the legal sector recognized the difficulties they faced in facilitating this process in a systematic manner. At their end, donors tried to track what is going on in the related law areas in order to

increase synergy and avoid unnecessary duplication and overlapping every time new programmes/projects are formulated. As a core player in co-ordination of technical assistance to Vietnam, UNDP has made systematic efforts in collecting and compiling data of various types of assistance provided to the sector, to allow easier tracking. The first UNDAF document issued in 1998 was also an attempt by the United Nations Organizations (with the World Bank) to compile and coordinate efforts in this area. In addition, two monthly donor working luncheons in 1998 and 1999 were dedicated to developments in the legal area as a means to keep all the partners informed of the current situation.

11. In the summer of 1999, the Ministry of Justice, which is assigned by the Government to coordinate external assistance to the legal sector, initiated the idea of organizing a workshop with donors active in the legal sector to review the status of cooperation. On a parallel track, three donors, the World Bank, the Asian Development Bank and the UNDP jointly initiated the idea of a comprehensive legal needs assessment to be jointly undertaken by the government and donor community, and carried out early 2000 a first mission to preliminarily assess the situation. To “kick off” the process, and for the first time, all international partners in legal development were brought together around the same table at a donor roundtable to provide their insights and comments to the proposed initiative and to “map” their existing and planned activities in seven category areas of legal development: (1) legal education and training; (2) law-making process-institution building; (3) law implementation – institution building; (4) legal information systems; (5) legal aid to the poor; (6) international economic integration; and (7) assistance in preparation of substantive law.

12. With the strong and active support of MOJ, the idea of this joint Government-led/donor supported comprehensive review, was accepted and endorsed at the highest level of the Government (PM) in late August 2000, which would seem to reflect the relevance of this endeavor.

13. We believe key reasons for such high level endorsement could be: a) the right and timely entry point; b) relevance to government priorities; c) a useful approach, and d) committed government counterparts.

14. Key steps of the process in which the partnership in the legal sector is developing, are elaborated in detail in the table below, with some measurable benchmarks.

**Table 1: The partnership development process and key steps to move ahead.**

<i>Activity</i>	<i>Time Frame</i>	<i>Remarks</i>
VN'S DEVELOPMENT STRATEGY		N/A
LEGAL AND/OR JUDICIARY SYSTEM DEVELOPMENT STRATEGY		To be fixed
Legal ODA co-ordination framework	9-12/2001	To be presented at the CG meeting, Dec.2001
Comprehensive Legal System Development Needs Analysis	1-9/2001	Needs to be nationally- led
Legal Roundtable With Donors	11/2000	Some financial support from donors is expected.
Internal Legal Roundtable	10/2000	Second half of the month
PM's endorsement of MOJ's proposal	8/2000	
MOJ sent proposal to organize internal legal roundtable consultation to prepare for the one with the donors later on	8/2000	
Internal Consultation Meeting With Nine Concerned State Agencies	6-7/2000	High consensus of the need to carry out analysis. Some hesitation was expressed on national ownership
2 <sup>nd</sup> Donor Roundtable Meeting	6/2000	Not clear donor interest or commitment of resources to the assessment
Donor Debriefing Meeting With MOJ leadership	3/2000	Strong support of the highest leaders
Donor Debriefing meeting with MPI's representative	3/2000	Positive assessment and high support
Joint Donor Mission for a Preliminary Needs Assessment	Dec-1999 1-2000	Successful
MOJ's proposal of a workshop with donors to review coordination of external assistance to the legal sector	Mid-1999	Expected financial support from SIDA

#### 4. Next steps

15. As part of the Government's 10 year strategy development process, the Ministry of Justice (MOJ) has been charged with the coordination of the formulation of a ***strategy for legal/judicial system development*** as part of Vietnam's medium and longer-term comprehensive development strategy. This strategy will also serve as the basis for enhanced international legal cooperation in this important area. The Government is also strongly desirous of stepping up international cooperation in legal/judicial system development<sup>19</sup>. The joint Government and donor planned ***comprehensive legal system needs assessment*** could at the same time assist in this strategic planning and be a first step towards a ***framework for coordination of external assistance*** to the sector in future<sup>20</sup>.

<sup>19</sup> To date there have been about 15 donors/NGOs assisting about 100 different activities in the law development field.

<sup>20</sup> The assessment will look at the current process of legal cooperation, identify gaps to be overcome, and redefine directions for future joint works. The joint preliminary legal development needs assessment, undertaken in the period 13-28 January 2000, to help the Government take

16. In early June 2000, at the second donor roundtable meeting, the participants representing donors and MOJ identified and agreed the implementation plan in order to carry out the first critical step – the comprehensive needs analysis. To do this, it is timely to take the following actions:

For the Government:

- To ensure that the intended internal consultation roundtable convenes as planned, in order to prepare and guide the roundtable with donors scheduled for November 2000. The partnership will provide some assistance for the preparation of the meeting

For the donor community.

- To work with the Government to clarify the concept of “partnership” for the legal area, and define further working modalities.
- The donors with the Government need to further elaborate the detailed implementation modalities of the needs assessment (inputs, technical teams, national and international technical support, etc)

17. As this is still a very young partnership, all the partners at large will continue working on it and shaping it to make it as effective as possible: ‘work in progress!’.

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*stock of ongoing and planned donor assistance, and explore possibilities for a more comprehensive government-donor approach to legal/judicial system development was the very first step in this process. While the preliminary work carried out in January only involved three donors (ADB, UNDP and World Bank), the comprehensive legal development assessment will be undertaken by a team of experts provided by a wider range of international partners active in this area together with experts from concerned state agencies. The analysis will require the active collaboration of a number of Vietnamese agencies: Ministry of Justice and its training and research institutions, Supreme People's Court, Supreme People's Procuracy, Office of the Government, Office of the National Assembly, professional associations and others.*

## **THE SOCIO ECONOMIC DEVELOPMENT STRATEGY (2001 - 2010)**

### **1. Background**

1. The Government of Viet Nam has been in the process of preparing the country's new Ten Year Socio-Economic Development Strategy for the period 2001-2010 and Five Year Development Plan 2001 – 2005 to be discussed and approved at the 9th National Party Congress tentatively scheduled for the end of the first quarter of 2001. This new development strategy will be aimed at mapping out the broad strategic directions, and the key policy and institutional reforms needed for Viet Nam to capitalize on emerging opportunities and meet emerging challenges over the coming five and ten years. Development objectives include high and sustainable economic growth, further international economic integration, industrialization and modernization, more knowledge-based development and a further substantial reduction of poverty.

2. In this context, the Minister of Planning & Investment requested in early 1999 that UNDP assist in strategic background research needed to support the Government in the formulation of the strategy as well as the co-ordination and mobilization of related inputs from the international donor community. UNDP subsequently mobilized technical and financial assistance from a number of other development partners, particularly AusAID, Swedish SIDA, and UNIDO.

3. In addition to strategic background research, a series of technical workshops and high level round table consultations with Viet Nam's key development partners was initiated to share ideas and suggestions for the new strategy, and to develop a common understanding and shared vision for the future development of Viet Nam.

4. The results of this assistance along with the sectoral strategies as prepared by the various line ministries will then be consolidated into an overall strategy paper. The drafting of this overall strategy is the responsibility of the Strategy Preparatory Group (SPG), headed by the Prime Minister. The Development Strategy Institute (DSI) of MPI acts as a facilitator and secretariat for the Strategy Preparatory Group.

5. During the latter half of 1999 and the first half of 2000, strategic policy-based research was carried out in four broad areas critical to Viet Nam's future development:

- Role of State and the Market
- Globalization and International Economic Integration
- Rural Development and Job Creation
- Science & Technology for Industrialization, Modernization and Knowledge-based Development

### **2. Past achievements**

6. In August 1999 six research groups, combining national and international expertise, started working on strategy papers in the four key areas for which assistance had been requested. In addition to the four broad research areas outlined above, special attention was also devoted to

the social aspects of rural development, whilst a separate research group would concentrate on the financial aspects of international economic integration. The research outcomes were recorded in draft reports in early 2000, which have been extensively discussed in various rounds of technical workshops, whilst being subjected to in-depth peer reviews. Many experts, representing line ministries, national and international research institutes, multi- and bilateral donors as well as the NGO community in Vietnam, contributed to this process. In addition, the National Committee for the Advancement of Women had provided substantial inputs concerning gender aspects of the strategy. Hence the partnership, though not formally institutionalized, broadened substantially.

7. Incorporating the many suggestions received resulted in well developed drafts of the six research papers in May 2000, which formed the basis for the first high level Round Table Consultation meeting on 9 June 2000. This very unique consultation provided the first opportunity for a direct dialogue between the Strategy Preparatory Group and senior representatives of the International Donor and NGO community. The meeting, consisting of four sessions corresponding to the four research areas, was co-chaired by senior Government officials among which was Minister Tran Xuan Gia of MPI, and the heads of mission of the World Bank, ADB and the Embassies of Sweden and Australia. Ambassadors from a wide variety of countries offered their own country experiences and related suggestions in the various sessions. Furthermore, technical contributions were made by various members of the Strategy Preparation Group and relevant international organizations such as IFC, IMF and UNIDO. The Round Table was closed by Minister Gia who expressed great appreciation for the research and consultation process, whilst emphasizing the Government's desire to continue such a process for further enriching the strategy.

8. In response to the issues raised during the roundtable meeting, further research was undertaken to come up with additional practical recommendations and principles for the implementation of specific parts of the strategy related to private sector development, trade liberalization, IT development and off-farm employment generation. This research work also took into account on-going work towards the Poverty Reduction Strategy Paper and was aimed at giving more depth to the on-going consultation process.

9. In July 2000, the Government circulated the first draft of the overall strategy among party members on all levels for comments and contributions. In follow-up to MPI Minister Tran Xuan Gia's closing statement at the roundtable meeting in June, the Government also released the draft strategy paper through UNDP for consultation with the international donor community. Using established partnership systems, in particular the Monthly Donor Group Forum organized by UNDP, the donor community reviewed the draft strategy paper with the President of the Development Strategy Institute in order to develop a common understanding of the fundamental issues and strategic directions outlined in the document.

10. On 21 November, a second high level Round Table Consultation was convened with the Strategy Preparatory Group, a wide variety of senior Vietnamese officials and the international donor and NGO community. This second Round Table was led on the Government side by His Excellency Nguyen Tan Dung, First Deputy Prime Minister, His Excellency Nguyen Khanh, Former Deputy Prime Minister and Head of the Political Report Preparatory Committee, Minister Tran Xuan Gia of MPI, and the heads of all of Viet Nam's key research institutes including the Prime Minister's Research and Advisory Group, the Central Institute of

Economic Management and the Development Strategy Institute. On the international side participants included Ambassadors and Aid Counselors from a wide variety of countries, Resident Heads of the ADB, World Bank and IMF, a variety of NGOs and a team of eminent international experts to facilitate the dialogue. This second Round Table Consultation was extremely rich in content and helped to further develop a more common understanding of some of the more difficult issues still needing resolution in order to further define the country's strategic directions. A half-day technical session was also held between the Strategy Preparatory Group and the team of eminent international experts.

### **3. Current status and plans**

11. The proceedings of the second Round Table Consultation will be sent to senior officials in the Party, Government and Strategy Preparatory Group to help further develop the ten year socio-economic strategy in the run-up to the Party Congress tentatively scheduled for end-March 2001. It is furthermore planned that a third high level Round Table Consultation on the strategy between the Government and the international community would take place in late February or early March 2001 just prior to the Party Congress.

### **4. Long term Vision**

12. The subject of the partnership, being the Ten Year Socio-Economic Development Strategy, is all encompassing, and includes the participation of most if not all line ministries as well as most of the international community. As such no attempts have been made to institutionalize the partnership, but rather to create opportunities for as broad a participation in the strategy formulation process as possible. On one side using existing partnership frameworks and communication channels, on the other side through the organization of specific events in which the strategy formulation process is opened up for contributions from interested development partners.

13. This formulation process is expected to be finalized in early 2001 with the adoption of the ten year socio-economic development strategy by the Party Congress marking the start of the Strategy's implementation. As indicated above, the efforts to realize a substantive consultative strategy formulation process were first to enhance the quality of the strategy by ensuring international experiences and lessons learned in development were taken into account. Secondly, but of equal importance, is the broad consultative process aimed at developing a common understanding and shared vision among all development partners for the coming ten years, essential for a well-coordinated donor response in the implementation phase.

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