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**Politics and the PRSP Approach:  
Vietnam case study**

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This paper forms part of a broader study of the political dimensions of the Poverty Reduction Strategy Paper (PRSP) approach, which was commissioned by the PRSP Monitoring and Synthesis Project, a DFID-funded project based at the Overseas Development Institute, London. The study examines how the PRSP approach is interacting in practice with domestic political processes and what this implies for the trajectory and sustainability of the approach in low-income countries. The research team on the study comprised Alison Evans, Laure-Hélène Piron, David Booth, Tim Conway, Erin Coyle, Zaza Curran, Ruth Driscoll, Kate Hamilton, and Andy Norton. Professor Rob Jenkins acted as peer reviewer in the initial stages of the project.

## Acronyms

ABD	Asian Development Bank
AFTA	ASEAN Free Trade Agreement
ARVN	Army of the Republic of Vietnam (to 1975)
ASEAN	Association of Southeast Asian Nations
CDF	Comprehensive Development Framework
CG	Consultative group
COMECON	Council for Mutual Economic Assistance (to 1991)
CPRGS	Comprehensive Poverty Reduction and Growth Strategy
CPV	Communist Party of Vietnam
CRP	Center for Rural Progress
CSO	Civil society organisation
FDI	Foreign Direct Investment
GDD	Grassroots Democracy Decree
GDP	Gross Domestic Product
GoV	Government of Vietnam
HCMC	Ho Chi Minh City
HEPR	Hunger Eradication and Poverty Reduction
HIPC	Heavily-Indebted Poor Country
HIV/AIDS	Human Immuno-deficiency Virus/Acquired Immuno-Deficiency Syndrome
IDTs	International Development Targets
IFI	International Financial Institutions
IMF	International Monetary Fund
INGO	International non-governmental organisation
I-PRSP	Interim Poverty Reduction Strategy Paper
JSA	Joint Staff Assessment
LERES	Center for Legal Research and Services
LMDG	Like-Minded Donor Group
LSMS	Living Standards Measurement Survey
MARD	Ministry of Rural Development
MDGs	Millennium Development Goals
MET	Ministry of Education and Training
MoF	Ministry of Finance
MoH	Ministry of Health
MOLISA	Ministry of Labour, Invalids and Social Affairs
MPI	Ministry of Planning and Investment
MTEF	Medium-term expenditure framework
NA	National Assembly
NGO	non-governmental organisation
NLF	National Liberation Front
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OOG	Office of the Government
PAR	Public administration reform
PEM	Public expenditure management
PER	Public expenditure reform
PIP	Public Investment Programme
PM	Prime Minister
PPA	Participatory Poverty Assessment
PRGF	Poverty Reduction and Growth Facility
PRSC	Poverty Reduction Support Credit

PRSP	Poverty Reduction Strategy Paper
PTF	Poverty Task Force
PWG	Poverty Working Group
RaFH	Center for Reproductive and Family Health
SBV	State Bank of Vietnam
SCF	Save the Children Fund
SDC	Swiss Development Corporation
SEDS	Socio-Economic Development Strategy
SOE	State-owned enterprise
SRV	Socialist Republic of Vietnam
SWAp	Sector-wide approach
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
VCCI	Vietnam Chamber of Commerce and Industry
VDG	Vietnam Development Goals
VDIC	Vietnam Development Information Centre
VDT	Vietnam Development Targets
VLSS	Vietnam Living Standards Survey
WTO	World Trade Organization

## Executive summary

Vietnam is an atypical ‘PRSP country’. It is not aid-dependent, does not qualify for HIPC II debt relief, and has already achieved much on its own: since 1986, cautious economic liberalisation, building upon a foundation of investments in human development and egalitarian land distribution, has resulted in high growth and an extraordinary rate of poverty reduction. Although the incentives to produce a strategy acceptable to the IFIs remain significant, they are not overwhelming. This fact, combined with the fact that the IFI approach is unusually flexible, has empowered the government of Vietnam (GoV), helping it to hold donors to the principle of national ownership.

In terms of the context within which the PRSP process evolved, the key features of the Vietnamese political system can be summarised as follows. As a one-party state, political competition in Vietnam is constrained, and the legislative remains weak relative to the executive. It is, however, a mistake to assume that the Party and state simply enforce their will in any straightforward manner. Although civil society has been suppressed, state-society relationships in Vietnam have traditionally required the state to demonstrate its legitimacy and to negotiate policy with society in order to be effective. Widespread, undeclared ‘everyday forms of resistance’ to unpopular policies have forced the Party-state to recognise and respond to instances of policy failure (most notably when mass defection from collective agriculture brought the economy close to collapse, prompting a leadership change and the introduction of economic reforms). Party-affiliated mass organisations do serve as elements of a corporatist state, mobilising society in pursuit of Party policies; however, they also provide channels for different groups (farmers, women, etc.) to communicate their views to the political leadership. Consensus-based policymaking may be slow (and opaque to outsiders), but ensures broad internal consultation and makes it more likely that policies will be both feasible and implemented. Checks and balances help ensure that an authoritarian developmental state does not evolve into a self-serving dictatorship.

GoV embarked on the PRSP process in mid-2000, producing the final document (the Comprehensive Poverty Reduction and Growth Strategy – CPRGS) in May 2002. The drafting of the CPRGS can be seen as the result of complementarity and tension among three parallel processes. The first was the domestic political cycle, which required the production of a five-year development plan and a ten-year strategy for the Ninth Party Congress in 2001. The second was a move by key donors to improve aid effectiveness in Vietnam through greater government ownership and improved coordination. It was in this context that the third process – the development and spread at international levels of the PRSP idea – played out in Vietnam.

The impact of the CPRGS will only become clear over the coming years, as it becomes possible to judge the extent to which provinces and line ministries have come to know of and adopt the CPRGS as a framework for their subsequent policy developments. An interim assessment of the gains achieved during the process of PRSP drafting would, however, include the following:

- The involvement of new actors (e.g. a number of Vietnamese NGOs) in the policy process at a level not previously enjoyed, and a somewhat different type of intra-government policy process (key ministries brought together with Finance and Planning and Investment to debate their individual contributions to an overall poverty reduction strategy).
- Some impact, through the inter-ministerial drafting committee, on the way in which poverty reduction is conceptualised in Vietnamese policy thinking: away from targeted programmes and leadership by the Ministry of Labour, Invalids and Social Affairs, towards an overall approach, integrating growth linkages and involving MPI in resource allocation decisions.
- Direct consultation with the poor, despite being limited, rushed, and mainly at the behest of donors, built on earlier PPAs and resulted in both some immediate improvements in CPRGS

content, and in further exposing GoV officials to the idea of allowing the poor to participate in policymaking.

- Impact on public expenditure management and on accountability was more muted, although it is possible that gains will be made during ‘roll-out’.

The relationship between the CRGS and the ‘purely’ national policy documents produced for the Ninth Congress is arguably both the greatest strength and greatest weakness of the CPRGS. In that the CPRGS is a donor-facilitated exercise in the prioritising, costing and adding of operational detail to policies derived through purely domestic political debate, it can be claimed that national ownership is strong. In that Vietnam had already produced the Five-Year Plan - and thus that that subsequent commitment to the CPRGS could be interpreted as motivated primarily in order to obtain access to PRSP-related funds - ownership could be judged to be weak, as the Ninth Congress documents fit with the Vietnamese policy cycle and are thus familiar to junior and provincial officials in ways that the CPRGS is not. This is seen in the structure and format of the CPRGS, reflecting a sometimes uneasy hybrid of Vietnamese socialist and IFI / international donor styles. Although the drafting was led by the government (only four of the dozens of drafts were translated into English for consultation), it was produced by a relatively small number of officials drawn from central government ministries, in a relatively short period. It does seem the CPRGS is ‘owned’ by senior leadership, but that this commitment falls short of the PRSP ideal of broad ‘country’ ownership.

The overall impression is that the CPRGS has played a modest but significant role in improving the Vietnamese policy and planning systems. It is, perhaps, only to be expected that its impact should be evolutionary rather than revolutionary, given that in Vietnam, problems with government policy and aid distortions are different from (and by and large less serious than) problems in the aid-dependent, weakly institutionalised states for which the PRSP approach was originally designed. The positive impact of the CPRGS is likely to be seen in the ways it helps the government to develop the capacity to manage the next generation of challenges. As the dramatic gains from the initial decade of liberalisation level off, the country will need to grapple with a more complex, messy, and less predictable series of second-round reforms if it is to sustain the remarkable progress made so far. In contributing to this evolution, the CPRGS has had a positive impact on the direction of policy change in Vietnam.



# 1. Introduction

In 1999, a number of imperatives in international development policy debate converged to give rise to the Poverty Reduction Strategy Paper (PRSP) approach – in which a country produces a PRSP in order to qualify for development assistance as a new way of structuring relationships between donors and aid-recipient countries.<sup>1</sup> Six core principles (results orientation, comprehensive coverage, country leadership, participation of poor citizens in the process, a basis in partnerships, and a long-term focus) are identified as necessary in a PRSP if it is to be accepted as the basis for IFI assistance.

The origins of the PRSP concept and the core principles which are to guide the drafting of any given PRSP can be seen as revolving around a number of intentions that are inherently political.<sup>2</sup> These political objectives include:

- shifting the focus of government’s accountability for poverty reduction from external donors to citizens;
- enhancing public participation in policy formulation;
- encouraging a mode of policymaking in which accountability is focused on poverty reduction outcomes, rather than the delivery of direct benefits to particular social groups.

At the same time, early reviews of the PRSP experience have suggested that there are tensions between the implicitly political nature of the PRSP approach and the broadly technocratic nature of its main elements.<sup>3</sup> Resolving these tensions represents a significant challenge if the PRSP approach is to deliver the desired major changes in the effectiveness of development cooperation. Critics argue that, for all the emphasis upon inducing domestic debate on policy choices (and the relationship between this and the fiscal framework), determining the overall resource envelope is still led by the IMF (working closely with the finance ministry), without substantive involvement of other stakeholders within or outside government.

By the late 1990s, Vietnam was widely perceived as a developmental success story, having achieved remarkable rates of poverty reduction since embarking on a process of economic liberalisation in 1986. The role of aid in this process was largely marginal.<sup>4</sup> Vietnam thus provides an interesting case study for comparative research into the two-way interaction between national political systems, on the one hand, and the promotion by donors of the PRSP approach to improving government policies and aid effectiveness, on the other.

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1 Initially, the PRSP was conceived as a way of linking receipt of HIPC II debt relief to poverty reduction. Once adopted as a fix to this particular problem, however, the approach rapidly took on a life of its own, as the Bank and the Fund decided to make the production of a PRSP the criterion for access to *all* concessional finance provided by the IFIs to low-income countries. See Christiansen and Hovland (2003) for an account of the origins of the PRSP approach.

2 Defining what is meant by politics and political is inevitably contentious. The synthesis paper for this research project defines the subject matter of these studies as ‘formal political systems, the nature and ideology of regimes, the operation of political parties and the impact of electoral rules, relations between the executive and the legislature (as well as between central and local governments), and processes within the executive (such as the functioning of cabinets, relations between Presidents and ministries, and between ministries). We complement this state-centric approach by also analysing state-society relations, such as the nature of civil society, citizens’ engagement with the state, and informal political processes such as neo-patrimonial systems’ (Piron and Evans 2004: 4). The emphasis is thus upon a broad rather than a narrow understanding of politics.

3 Booth *et al.* (2001).

4 See Pincus and Nguyen (2004).

## 2. The political context

### 2.1 Modern political history

Taking a long-term perspective, the underdevelopment of Vietnam (along with Cambodia and Laos) relative to the rest of East and Southeast Asia reflects the fact that the country has been at war for much of the last fifty years. Box 2.1 summarises the struggle for a unified and independent Vietnam since the end of World War II.

#### **Box 2.1 Vietnam 1945–75 – independence, war and reunification**

Having fought the Japanese during World War II, Vietnamese nationalists under communist leadership briefly established an independent state in 1945, before the French sought to reimpose colonial rule. The resulting war ended in French defeat at Dien Bien Phu in 1954. A peace settlement temporarily divided Vietnam into a socialist North and a capitalist South, with nationwide elections to be held in 1956. When the southern government under Diem pulled out of this agreement in 1955, the Hanoi government initially concentrated upon consolidating its rule in the North. From 1959, however, responding to demands from southern cadre that they be allowed to resist the Diem regime, the government declared a move to armed struggle. The National Liberation Front (NLF) was announced in 1960; in 1964, regular units of the Hanoi army began to infiltrate the South. The notoriously corrupt southern Army of the Republic of Vietnam (ARVN) rapidly lost ground, prompting US air attacks on the North in 1964 and the arrival of US troops to support the South in 1965. Fighting escalated, culminating in a massive surprise attack on ARVN and US forces during Tet (New Year) 1968. While NLF and northern units suffered terrible losses, the offensive proved politically decisive, breaking the will of the US and leading to the beginning of a long-winded process of US disengagement. The Saigon government eventually collapsed in the face of an assault launched across the 17<sup>th</sup> parallel in January 1975, surrendering on the last day of April. Following a brief period of transitional government in the South, Vietnam once again became a unified state in July 1976.

Reunification presented major challenges, with difficulties integrating southern Vietnam – where physical and institutional infrastructure was in disarray, and where the legitimacy of the Party and government was weaker into the Hanoi-centred state. After months of debate, those favouring rapid transition to socialism in the South prevailed. The ensuing years saw collectivisation of agriculture; detention in re-education camps of employees of the Saigon regime and others whose loyalty was suspect; and economic disruption arising from the anti-capitalist campaign (directed largely against ethnic Chinese). These policies may have helped to consolidate control in the short term, but they also contradicted the long-term need to heal the differences that had grown up between North and South over the previous 20 years.

These difficulties were exacerbated by the fact that the country was isolated from most aid;<sup>5</sup> and by the fact that peace did not last long. Cross-border raids by the Khmer Rouge finally provoked a Vietnamese invasion of Cambodia in late 1978, providing a pretext for a US-led move to exclude Vietnam from trade and development assistance. Early in 1979, while still heavily committed in Cambodia, Vietnam was attacked by China. Fierce resistance forced the Chinese to a ceasefire; the occupation of Cambodia, however, dragged on until 1989 and imposed a heavy drain upon a country struggling with stagnant growth and a rapid decline in aid from the Soviet Union.

Fundamental problems in the centrally planned economy were apparent by the late 1970s. These problems were most clearly seen in terms of declining agricultural production and a level of per capita food availability which was universally low and which in some places and at some times bordered on localised famine. Particularly in the South, sub-national governments were forced to

<sup>5</sup> It did receive considerable aid from COMECON countries, and a degree of assistance from a small number of friendly OECD nations (notably Sweden) and UN agencies with more flexible mandates.

recognise the extent of opposition to collectivisation: although the policy line remained constant, informally they allowed land to revert to private ownership. Between 1979 and 1981, a number of political decisions recognised these *de facto* reversals and chipped away at the collective basis of agriculture.

These changes stimulated a temporary increase in food production, but by the middle of the decade the limitations of these cautious reforms were becoming obvious and were stimulating broader debate on the potential benefits of a mixed economy, rather than merely on how to fix problems in the agricultural sector. In 1986, the CPV elected the reform-minded Nguyen Van Linh as Secretary General and initiated a process of economic liberalisation, or *đổi mới* ('renovation'). In April 1988 the Politburo proposed a 'household contract' ('contract 10') model of family-based agriculture. The land law passed in 1993 legalised the existing reality in which individuals were working, selling and mortgaging land, by granting renewable 20-year use rights to households.<sup>6</sup>

The results of *đổi mới* have been dramatic. Paddy production rose by 26% between 1987 and 1989, and Vietnam went from a 750,000 ton grain deficit in 1986 to become the world's third largest exporter of rice by 1992. Between 1993 and 1998, GDP rose by an average of 8.9% per year; the proportion of the population living in poverty, as measured by the Vietnam Living Standard Surveys (VLSS), fell from 58% to 37% over those five years, with commensurate improvements in almost all aspects of wellbeing.<sup>7</sup>

## 2.2 The current political system

### *The formal structure of government*

The executive branch of the national government of the Socialist Republic of Vietnam is effectively headed by a small collective leadership, comprised most notably of the General Secretary of the Communist Party of Vietnam (CPV), Nong Duc Manh; the Prime Minister, Phan Van Khai; and the President, Tran Duc Luong. Important pronouncements by any one of these senior leaders are vetted by the others, which ensures that most major speeches and policy announcements tend towards the uncontroversial.

The President is elected by the National Assembly (NA) from among its members, and serves a five-year term. The President appoints the Prime Minister from among the members of the NA; the Prime Minister in turn appoints deputy Prime Ministers, once again drawn from the pool of NA members. The Prime Minister proposes a Cabinet, which is then appointed by the President, subject to the ratification of the NA. Central government is comprised of 17 ministries, five ministry-type organisations, and 26 other agencies.<sup>8</sup>

The legislative – the unicameral National Assembly (*Quoc Hoi*) – is elected to a five-year term by a popular vote based upon universal adult suffrage. The current National Assembly was elected in May 2002. In this election, 90% of the vote was won by CPV members. The remaining 10% of the vote – and 51 of the 498 seats – was won by candidates who were not CPV members, but whose candidacy was approved by the Fatherland Front (and thus, in effect, by the Party). The NA typically meets twice a year for ordinary sessions; it can also establish committees to help advise on new issues. The autonomy of the NA was increased somewhat in the 1992 Constitution, which sought to reform state structures based upon the principle that supreme state power needed to be

6 Kerkvliet (1995: 410–13), Watts (1998: 471–74).

7 Dollar, Hales *et al.* (eds) (1998); Haughton *et al.* (eds) (2001); PWG (1999).

8 McCarty (2002: 51).

concentrated solely upon the NA – while stating explicitly that there should be ‘close cooperation and coordination’ between the government and the CPV.<sup>9</sup> Observers remain divided regarding the degree of real independence enjoyed by the NA: although Ministers are sometimes given a rough ride before the Assembly, there remains the suspicion that when an issue really matters to the senior leadership this is signalled to the NA and it behaves as required.<sup>10</sup>

### *The Party and the state*

The Communist Party is the only party allowed to participate in Vietnamese politics. In the North, in particular, it retains considerable legitimacy as the heir of a nationalist tradition and through an ideological commitment to the welfare of the masses, manifested in practical terms as a broad-based growth policy and the provision of basic social services.<sup>11</sup> However, this legitimacy is considerably tempered by the more equivocal reality, where good cadre co-exist with corrupt or ineffective cadre. Dang and Beresford (1998) describe the history of independent Vietnam as falling into three periods, characterised by changing relationships among the Party, government and National Assembly. In the interests of reconciliation, and driven by a need to consolidate both domestic and international support and to make use of experts and intellectuals from outside the Party, the first period (between 1945 and 1954) saw the Party adopt a relatively limited and distinct role, accepting non-Party members throughout much of the government. During the second period (1954–86), pressure from the USSR and China (and the need for strong central direction in the war for reunification) led the Party increasingly to colonise the machinery of government and to emphasise central planning and state ownership of the means of production. Party committees took the lead in drafting policies, and the National Assembly was reduced to a rubber-stamp function. The third period, after 1986, reflected recognition of the limitations of central planning and the need for a process of ‘statisation’. This term encompasses a number of related processes, including: the gradual retreat of the Party from direct control over state affairs; rule by law; increased autonomy and power for the government and National Assembly; and greater separation of legislative and executive functions.

Although the relationship among Party, state and government has changed and continues to change, the Party still remains central to the policy process. In 2000, the Party had approximately 2.3 million members (out of a population of around 80 million). The 1992 constitution represented a modest downgrading of the role of the CPV but the Party remains by far the most important force in Vietnamese politics, with the government, the military and the bureaucracy effectively subordinate to its guidance. The Party’s executive body (the Politburo, currently comprised of 18 members, including the General Secretary) is elected by the 150-member Central Committee at national Party congresses (held approximately every five years), and largely sets government policy.

The overlap between Party and state thus remains very pronounced. About 90% of National Assembly deputies are Party members; almost all of the 21 Cabinet ministers are members of the Party Central Committee. Party committees exist at every level of the bureaucracy. The Party’s authority is reinforced through the hierarchies of the Party-affiliated mass organisations (e.g. The Women’s Union), clustered under the umbrella of the Fatherland Front. These organisations play a significant role in policy formation and implementation, especially in sectoral matters. Efforts to establish a Party presence in private enterprises have had limited success. However, the fact that managers or deputy managers of state-owned enterprises (SOEs) often double as Party secretaries,

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9 McCarty (2002: 52).

10 In interviews, optimism about the increasing assertiveness of the NA was typically more pronounced among Vietnamese respondents, and less so among expatriate observers.

11 Kerkvliet *et al.* (1998: 3–4).

and the fact that the official unions are Party-affiliated, helps to explain the slow process of reform in the SOE sector.<sup>12</sup>

### *Centre-local relations in the Vietnamese socialist tradition*

Sub-national government is administered through 64 provinces and municipalities,<sup>13</sup> with districts and communes reporting to these. While the commune remains the lowest level of the state, hamlets and villages are recognised as local representative units and interact with the paid government employees of the commune administration. At each level in the hierarchies there exist elected People's Councils (the local legislature) and People's Committees (the local executive, elected from within the People's Council). Observers both inside and outside the Party-state system have for a long time been concerned with the weakness of the People's Councils (which have formal responsibility for formulating strategic plans, approving budgets and expenditures, and monitoring subordinate levels) *vis-à-vis* the People's Committees. The 1998 Grassroots Democracy Decree was one attempt at clarifying and strengthening the responsibilities of the People's Councils: two new pieces of legislation passed in November 2003 are intended to improve further the powers and capacity of the Councils.<sup>14</sup>

Relations between these different levels and between the government and party are complex: many officials hold positions simultaneously in two different spheres.<sup>15</sup> Communication and circulation of policy ideas between the provinces and the centre are maintained through various institutional practices, including annual meetings between the provincial/municipal chairs and the PM and rotation of individuals between senior posts in central ministries (e.g. Under-Secretary or even Vice-Minister) and senior posts in the Provinces (e.g. Party Secretary, Vice-Chairman of the People's Committee, etc.). This helps to maintain a level of consistency and coherence in policy across Provinces, but also provides Provinces with a significant degree of input into the formulation of at least some aspects of national policy.

If the problem at the commune level is that the People's Council lacks the funds and skills required to hold the People's Committee accountable, the problem at district and province level is slightly different. Under a system of 'dual responsibility', the head of a provincial line department is in theory responsible both to the national ministry and provincial level officials.<sup>16</sup> The danger with the dual accountability principle is that, in practice, in many cases neither the line structure nor the local authorities exert effective supervision and control, resulting in a lack of real accountability to either. The emergence of gaps, duplication and buck-passing on the part of head offices is important in shaping lower-level administrative behaviour, and can result in the emergence of local government departments that exist as 'self-contained bureaucratic empires'.<sup>17</sup>

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12 McCarty (2002); The Economist (2002).

13 At the time this report was researched and the first draft written, there were only 61 provinces and municipalities: the creation of two new provinces and one new centrally managed city was announced on 6 November 2003 (see [www.statoids.com/uvn.html](http://www.statoids.com/uvn.html)).

14 The two were i) the People's Council and People's Committee Organisation Law and ii) the People's Council Election Law. See <http://english.vietnamnet.vn/politics/2003/11/18049/> for details.

15 For example, the Provincial Party Secretary may also be the Chair of the People's Council; the Chair of the Provincial People's Committee may be a member of the National Assembly.

16 A similar problem exists *within* each level of government (including the national) when different line ministries share the responsibility for certain functions, resulting in either an absence or competition of interests.

17 Painter (2002:18). When accountability is established, it is more likely to be to local rather than central structures. Staff at the district and provincial levels are usually appointed by local authorities and are therefore more inclined to regard themselves as accountable to these authorities than to their line ministries in Hanoi, reducing the influence of central ministries. The commune is anyway, as seen, a special case: professional posts for ministries end at the district level, so communal cadre will each hold a number of portfolios and are not attached to line ministries.

As in most countries, it is not possible to describe Vietnam as either clearly centralised or clearly decentralised in nature. In formal terms, authority is centralised; in practice, provinces enjoy considerable discretion in the implementation of policies and allocation of state resources.<sup>18</sup> The degree to which policymaking has been centralised has varied over time, being closely related to the ebb and flow of national political change (see Box 2.2).

### **Box 2.2 Centre-province dynamics and the politics of economic liberalisation**

Vietnam at reunification was highly decentralised. This was in part a legacy of an administrative system largely focused on military zones, within which commanders were of necessity granted a high degree of autonomy; and in part a pragmatic response to devastated infrastructure, which made movement and communication difficult. From 1976, there was an effort to centralise policymaking (reflecting both the general effort to consolidate authority and the ascendance of leaders with a hard-line ideological commitment to a command economy). Reformers at the Eighth Party Congress in 1986 apportioned much of the blame for economic failure on this over-centralisation: decentralisation was thus a major component of Linh's *đổi mới* reforms. There were both political and economic reasons for decentralisation. To overcome resistance to reform within the central bureaucracy and the central CPV apparatus, Linh drew in reformist officials from the provinces to replace conservatives in the central leadership. Provincial power then expanded over the early 1990s to a stage where it alarmed both conservatives and reformists. With an autonomy born of economic growth, the provinces asserted their authority (successfully resisting, for example, moves by the centre to assume control over provincial appointments and sackings). The response of the centre was to increase the number of provinces and municipalities (from 40 to 61 and then later 64), making many provinces smaller and thus less individually powerful. With economic slowdown at the end of the decade, however, the provinces reasserted themselves once more, significantly strengthened by now by the much increased representation of provincial officials in the Central Committee (37% in the Ninth Congress in 2001, compared to just 15.6% in the Fifth Congress in 1982). In 2001, these provincial representatives were key in channelling popular dissatisfaction with the handling of the economy and replacing Le Kha Phieu with Nong Duc Manh (perceived, certainly at the time, as a reformist). Although it would be a mistake to assume that all provincial leaders are ideologically predisposed to favour change, they have a keen interest in ensuring economic growth and increasing scope to act in the interests of their provinces. (It is notable that by now only a few provinces are not dependent upon the centre for fiscal transfers.) This has made them an important mechanism for the transmission of pro-reform pressures.

*Sources:* Stern (1993); Abuza (2002: 130–34).

The potential for discretion in policy interpretation is particularly pronounced for some sectors (depending on how strong the central ministry is: the Ministry of Health (MoH), for example, exerts relatively weak influence over the delivery of provincial or sub-provincial health services), and for the larger and wealthier provinces. Ho Chi Minh City (HCMC), as the nation's economic engine, is the most striking example. It accounts for an extremely large proportion of Vietnam's total GDP, raising the prospect of a widening (and potentially politically destabilising) divergence between the centres of political power (Hanoi) and economic power (HCMC) – and between both of these and the economically and politically marginal regions of the country (primarily the Northern Mountains and Central Highlands). Wealthy provinces or municipalities may also play an important role in generating policy innovation: in the mid-1990s, for example, Ho Chi Minh City pioneered the development of a cross-sectoral approach to poverty alleviation which was subsequently adopted as the national Hunger Eradication and Poverty Reduction (HEPR) programme, the umbrella framework for a range of targeted anti-poverty actions.

Discerning contemporary trends in the balance of power between centre and provinces (and between provinces and sub-provincial levels) is difficult though, as specific policy reforms may pull in different directions from economic change, and from each other. McCarty argues that while the

<sup>18</sup> McCarty (2002: 65) and interviews.

transition in policymaking has allowed sub-national levels of government to claim more powers, public administration reform and the move to the rule of law will, in the long term, recentralise many government functions. Where implemented, the Grassroots Democracy Decree may have complex effects. The main promise of the Decree is that it will democratise local (commune) government, by making the commune People's Committees more accountable to the directly elected People's Council and the local population. In doing so, it may also contribute to exercising constraint on the power of the provinces and districts from below.

### *The policymaking process in Vietnam*

Figure 2.1 outlines the basic formal structure of the policy process in Vietnam, as summarised from official sources. Policy issues are identified and policy decisions made largely within the organs of the Party – although the Party is of course responding to signals from a wide variety of stakeholders.<sup>19</sup> This policy decision is presented to and given legal form through the workings of the National Assembly, the Prime Minister's office, the government, ministries and other organs of the state. Implementation at central and local levels generates feedback, which is incorporated into subsequent policy decisions.

McCarty argues that, contrary to what is generally written, policy change in Vietnam is in fact quite rapid. He also asserts that change is better seen as 'crisis-driven' rather than simply top-down, but that the balance between these forces is changing over time, with the political leadership taking a more proactive role in initiating policy change rather than being forced into it in recognition of incipient crisis.

The political system has become significantly less hierarchical over the course of *đổi mới* reforms. During this reform process, relationships between the centre and sub-national levels in the formulation and implementation of policy have been radically transformed. The legal framework underpinning centre-local relations has been amended through the 1995 Budget Law (which increases provincial autonomy) and through the operational arrangements of various national programmes.

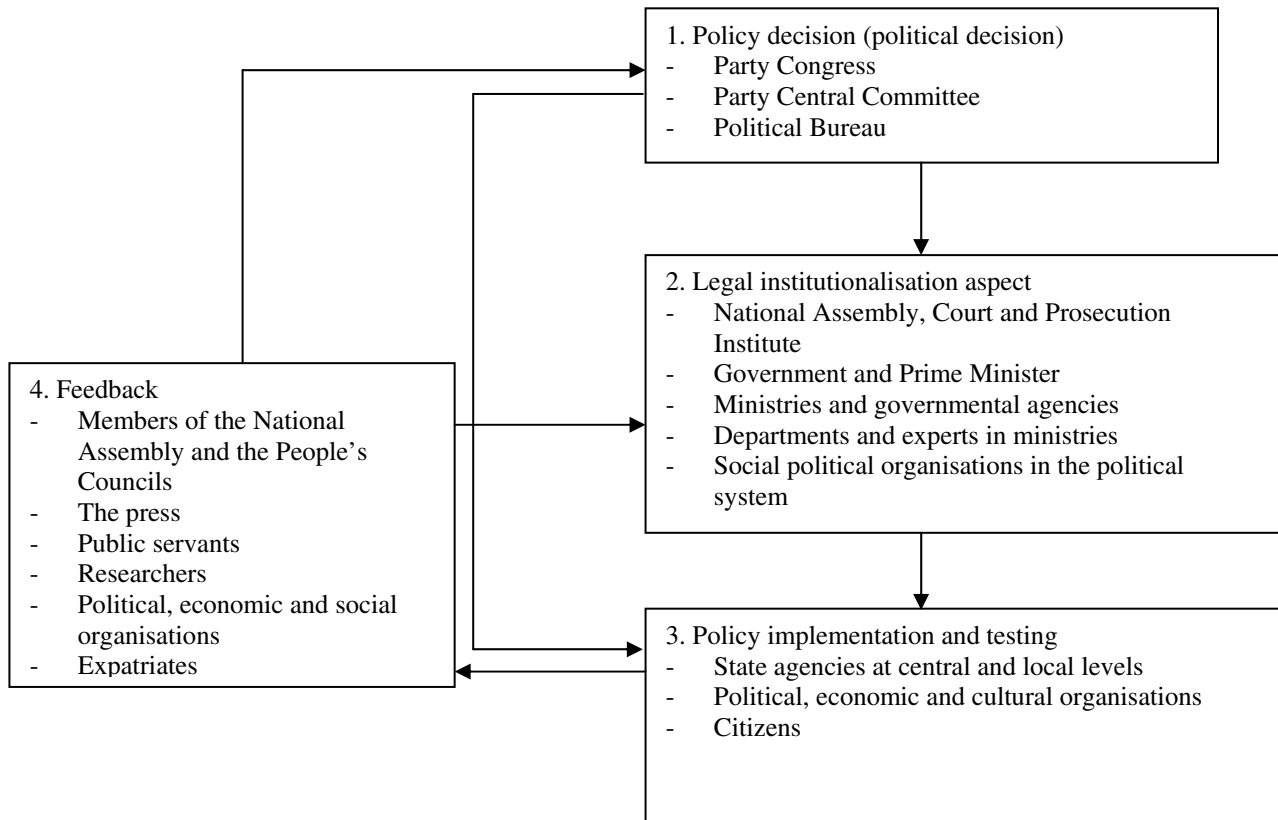
One of the defining features of the policy system in Vietnam is the emphasis in discourse and in institutionalised practices upon achieving internal consensus in important policy decisions. Major strategic decisions will involve debates that are very wide-ranging, albeit sometimes *ad hoc* and channelled through formal procedures and informal practices contained within the Party-state system that are often largely opaque (and inaccessible) for actors outside the system.<sup>20</sup> This consensus model of policymaking tends to result in compromise solutions and to make the process of reaching a decision somewhat slow: in the absence of an immediate crisis, fundamental shifts in policy may only occur in a protracted, incremental manner. However, the consensus model does also help to ensure that, once made, a decision is more likely to be implemented – or at least, not actively opposed – by the machinery of the state.

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19 Cong (2001).

20 These structures that shape the conduct of consensus decision-making are deeply rooted in both the specific institutions of the Socialist Republic and arguably in a historical political culture with features (including a preference for avoiding direct 'confrontation') that reflect the legacy of Confucian traditions. In particular, it is worth noting that the Party is in many ways a highly democratic organisation: the Ten-Year Socio-Economic Development Strategy approved at the Ninth Party Congress in 2001 was the product of an extensive internal consultation process, having been debated in Party Committees right down to the Commune level.

**Figure 2.1 The basic formal structure of the government of Vietnam**



Source: adapted from Cong (2001), in McCarty (2002).

There is at least some recognition within government of the costs of the current model of policymaking and implementation. Denmark and the UK are supporting a small team within the Office of the Government (OOG), helping it to acquire a more streamlined but more effective role akin to that of a Cabinet Office.

### *Interpretative frameworks for analysing state-society relations in Vietnam*

It is possible to distinguish three broad interpretative models of state-society relations in contemporary Vietnam.<sup>21</sup> The first, 'dominating state', perspective asserts that even though debates may arise within the state, and though the state may be influenced by external events (e.g. the transformations in Socialist Europe in the late 1980s), society is effectively subservient to 'the *bureaucratic polity*, in which major decisions are made entirely *within* the bureaucracy...[and power] is confined to a small group of party officials'.<sup>22</sup>

The second interpretation is close to the first, but emphasises the state's penetration of and control over society through the mass organisations used to mobilise various social and economic groups in support of its policies. This 'mobilisational authoritarianism' or 'state corporatist' perspective acknowledges the existence of channels allowing society to influence the state, but only within strictly prescribed limits.

The third and final perspective looks beyond the formal, organisational and largely national-level politics that are the focus of the first two schools of thought. This third approach argues that the

<sup>21</sup> Kerkvliet (2001a, 2001b).

<sup>22</sup> Porter (1993): 101, quoted in Kerkvliet (2001): 243.



state's powers are actually far more limited than rhetoric would suggest, for a number of reasons. *De facto* decentralisation creates considerable potential for central policies to become transformed through adaptation at provincial and sub-provincial levels. Crucially, the state *is* aware of the need to maintain popular legitimacy, and responds to social pressures for the modification of policies which undermine this legitimacy. It is important to recognise, however, that 'dialogue' in this context 'incorporates communication of contentious ideas and preferences in ways that, in Vietnam, are often indirect and non-verbal'.<sup>23</sup> The concept of 'everyday resistance' becomes fairly central to explaining policy change within the Vietnamese state, most notably the state's gradual retreat from collective agriculture in the face of determined foot-dragging and rule-breaking by the country's peasant farmers.<sup>24</sup> In instances such as this, villagers

may have no expectation, perhaps no intention of affecting government policy, though they might well be trying to modify, even subvert implementation in their locale. But cumulatively such actions, although not organised or co-ordinated, can affect national policy when they are done in large enough numbers, in generally the same direction, and are 'read' or understood by higher officials (Kerkvliet 1995: 400–01).

Thus, although the state does respond to social pressure, this response may not necessarily be very quick or – at least in the first iteration – very effective.

To understand Vietnamese politics requires drawing upon all three perspectives, depending on context. However, the third perspective is becoming increasingly relevant over time, as the state and the Party trade some of their authority in order to retain legitimacy.<sup>25</sup> This process of increased negotiation is occurring informally to a large extent, in the conduct of actual political relations, but it is also at least partially formalised in law. The 1992 Constitution reaffirms that the CPV is the leading organ of the state, but also states that it is bound to operate within the framework of the law and the Constitution, and expands somewhat the powers of the directly elected National Assembly which has become somewhat more assertive in its dealings with the Cabinet and Politburo.<sup>26</sup> At sub-national levels, changes currently in progress are intended to strengthen the capacity of the People's Councils and enable them to fulfil their representative role properly.

### 2.3 Directions of change: policy change and poverty reduction beyond *đổi mới*

The achievements of *đổi mới* have, as described above, been considerable. However, there is recognition within the Vietnamese political system (at least at the highest levels) and among its donor and NGO partners that achievements in poverty reduction cannot be expected to follow a simple linear progression<sup>27</sup>. As the poverty headcount has been progressively lowered, there have been considerable changes in the profile of factors causing poverty and the structural changes that need to be addressed to ensure continued sustainable poverty reduction.

At the heart of this qualitative shift is the changing relationship between economic growth and poverty reduction. The economic growth that began in the late 1980s played out in an economy in which the initial distribution within society of key assets – most notably land, but also education

23 Kerkvliet (2001a: 245).

24 The classic text is Scott's study of the rural poor's undeclared defence of their class interests during the Green Revolution in Malaysia: 'Just as millions of anthozoan polyps create, willy-nilly, a coral reef, so do thousands upon thousands of individual acts of insubordination and evasion create a political or economic barrier of their own...[W]henver, to pursue the simile, the ship of state runs aground on such a reef, attention is typically directed to the shipwreck itself and not to the vast aggregation of petty acts that made it possible' (Scott 1985: 36).

25 The Economist (2002).

26 A significant proportion of NA proceedings are now televised, which somewhat helps to increase the connection between delegates and the electorate.

27 This was stated explicitly by the donors at the 1997 CG meeting: 'There is now wide recognition that the economic reforms which have led to such progress over the past decade have run their course, and that of Vietnam is to reach its ambitious development goals, a 'second generation' of policy change is needed' (quoted in Jerve *et al.* 2002: 5). Of course, perceptions regarding the nature of the second generation policy changes that are needed vary considerably both between and within donor and government groupings.

and healthcare – was remarkably equal. The result was that, unusually, a rising tide did by and large lift all boats. Some groups benefited more than others, but almost all did benefit, and most benefited to a significant degree. Inequalities widened but remain low in international terms.

Over time, however, it is likely that differentiation will become more pronounced, as further economic growth results in assets and power becoming concentrated along various dimensions, at various levels. Indeed, it would be surprising if this did not occur. There is a real danger that, as poverty rates among the majority Kinh fall, poverty will become primarily associated with ethnic minority groups, especially those in the mountainous regions. There are also several particular sectors of economic activity where, at a local level, rapid growth is now associated with a stagnation or even reversal of gains in poverty reduction.<sup>28</sup> Given that both the government and dominant donors are, in subtly different ways, committed to the case for growth-led poverty reduction, dealing in a coherent way with these emergent local examples of immiserating growth will be a challenge. At the same time, the shift from a planned to a mixed economy has also eroded the coverage and effectiveness of state-provided education, healthcare and social protection services.

There are thus a number of specific challenges that the government faces in maintaining rapid and broad-based growth, as the ‘easy wins’ achieved through decollectivisation and economic liberalisation reach their limits.<sup>29</sup> For example, one challenge is in the attempt to balance enabling policies with regulatory or redistributive policies in such a way as to harness effectively the dynamism of growth poles (the Red River and Mekong Deltas, and in particular the economic powerhouse of Ho Chi Minh City, which is responsible for around one-third of aggregate growth) for the benefit of spatially and socially balanced development.

At the same time, the political leadership appears to be deeply undecided as to how far and how fast it wishes to proceed with political reform, and the degree to which it perceives this as necessary in order to achieve continued economic and social progress. Crises such as the 1997 regional economic crash or the protests that have dogged the Central Highlands since early 2001 are interpreted in fundamentally different ways by reformists and conservatives within the Party. Reformists see them as evidence of the long-term need to open up politics to other actors in order to preserve legitimacy and stability and to ensure that national capacities are fully mobilised; conservatives see them as indicative of the uncertainties and dangers inherent in liberalising, and as establishing a case for maintaining a tight rein upon society and the economy. (This is discussed in more detail under the heading of political competition in Section 4.4 below.)

There is an argument that the forces unleashed over the last decade – economic growth and diversification, foreign investment, the emergence of a quasi-independent NGO and think-tank sector, and growing access to the internet – cannot be reversed and will force forward continued change, regardless of what the political leadership might desire. Certainly, issues that would have been completely off the agenda a few years ago are now debated openly. However, there appears to have been little by way of fundamental, guided, political change over the last few years: while leaders like Manh are conventionally described as reformist, most at this level might better be seen as pragmatists. The leadership of the SRV seems to be pausing – or hesitating – before embarking on any subsequent round of fundamental reforms (e.g. significant SOE or banking sector reform) which might entail a risky economic transition and possibly induce concerted opposition from a cross-section of stakeholders within the existing Party-state system.

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<sup>28</sup> This is seen in the case of coastal management, where poor farmers have been displaced or their livelihoods disrupted by commercial shrimp cultivation.

<sup>29</sup> To describe the achievements of *đổi mới* as easy wins is not to underestimate the political difficulty entailed in accepting the need for economic liberalism: it is simply to note that once this hard decision had been made, dramatic gains were possible with a few fundamental and relatively simple policy changes, which to a large degree merely formalised and further encouraged changes which were already occurring on the ground.

## 2.4 The potential contribution of a PRSP to pro-poor politics in Vietnam

As the next section describes in more detail, Vietnam is somewhat atypical of countries implementing a PRSP. It is not highly indebted; it is not particularly aid dependent; and the state and the political system more generally display both a greater commitment to poverty reduction and – on the evidence of the 1990s – greater capacity to realise this goal. The Socialist Republic of Vietnam is neither fundamentally unmoved by nor ineffective in responding to the problem of poverty. The debate about the interaction between the PRSP and the political system in Vietnam is therefore about how to improve upon a system that has worked very well for poverty reduction over a period of more than a decade. As such, the debate is about how the PRS process might help the Vietnamese political system adapt to changing problems and opportunities. The political actions taken in the late 1980s and 1990s achieved some extremely large ‘wins’ in terms of poverty reduction; as the effect of these gains tails off, however, further reductions in poverty may – arguably – require different kinds of political actions generated by a political system with somewhat different qualities.

Consequently, it is perhaps helpful to address at the outset what kinds of changes to political relationships, capacities and incentives of the Vietnamese Party-state system might help to promote continued poverty reduction, as a scale against which to evaluate what impact the PRSP might have had on the political system. This exercise is, of course, subject to widely varying interpretations regarding what (if anything) is necessary, and is itself intrinsically political.<sup>30</sup> As an attempt at a broad consensus, however, it might be argued that a Vietnamese political system capable of sustaining the rapid poverty reduction seen to date would:

- be able to sustain high growth that includes poor and marginal groups (especially those in less productive, particularly mountainous regions), allowing them to benefit directly, as well as through redistributive state actions.
- determine public policies and allocate finite public resources on the basis of objective analysis of the causes of poverty. This might require a change in political discourse: the concept of poverty reduction policies as being largely synonymous with targeted programmes is changing, but it is still influential and does limit the ability to tackle poverty in an overall manner.
- improve upon the current, highly complex, system of revenue generation and public expenditure management. There are a number of changes that would help (e.g. consolidation of budget information and integration of decisions regarding investment and recurrent expenditures; more substantial and efficient need-based systems for transfers to provinces with high levels of poverty and low levels of own-revenue generation; and greater transparency and accountability to citizens). These would all assist both in reducing inefficiencies in the use of public resources and in containing corruption at sub-national levels.
- enable and encourage leaders to undertake politically difficult decisions (e.g. SOE or banking sector reform) that facilitate patterns of economic growth and public expenditure which will

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30 This paper takes as its focus the connections among: i) the PRSP process, ii) Vietnamese politics and iii) poverty reduction, with poverty in this case understood primarily in material terms (i.e. income, consumption, access to state services, and the outcomes – health, life expectancy, literacy – which arise from these). It is important to note that many donors, both bilateral and multilateral, approach Vietnamese politics with a normative framework which attaches to other aspects of political change (civil and political rights as embodied in multiparty democracy, freedom of press and assembly, etc.) an importance equal to that of poverty reduction. Sometimes, this difference in emphasis and in definition of means and ends is seen in a tension between diplomatic and development staff within a given partner embassy: the former criticise GoV for authoritarian rule and lack of individual rights, while the latter acknowledge these issues, but also the impressive achievements that this same system has delivered in terms of material wellbeing. While this section lays out the arguments that greater democracy (broadly defined) may be beneficial to pro-poor politics over the long term, it largely confines itself to arguing the instrumental rather than intrinsic value of democratisation.

favour poverty reduction. Such reforms involve addressing the vested interests of elements of the Party-state system.

- allow social policy to be designed and implemented with the needs of the poor as the primary consideration. The provision of entitlements (social transfers, pension rights, and, to a lesser extent, access to quality services) is currently weighted towards public sector employees and ideologically privileged social groups (e.g. *chinh sach* or ‘policy’ families rewarded for their sacrifices in the war), which are not necessarily the poorest. It is understandable, and legitimate, that *chinh sach* families should be rewarded, and removing or downgrading these entitlements in order to redirect resources to other households on the basis of need is not now and probably will not in the future be up for political consideration. However, there is a need to look at the entitlements available to formal sector employees and progressively rebalance these so as to make more available to the poorest groups, who are overwhelmingly rural and in the informal sector. In the interests of further reducing poverty, the distribution of state entitlements needs to become progressively targeted or weighted towards the poor (i.e. allocated on the basis of need), and in some cases more appropriately and more efficiently delivered.
- be better able to understand the risks associated with an increasingly outward-oriented economy,<sup>31</sup> and better able to devise appropriate *ex ante* policy packages to reduce and mitigate these risks. Lack of familiarity with the nature of risk in world markets means that actors in the Party-state system sometimes engage rather overenthusiastically or clumsily in responding to new opportunities (as has been the case with coffee production).
- be better able to respond rapidly and appropriately to the onset of new problems or crises, or to evidence of policy failure. In the past, the state has recognised the need for policy change when mass resistance to ineffective and unpopular policy has brought the economy to the point of collapse. The political system does also respond to rare overt challenges to its legitimacy (e.g. protests against local government abuses in 1998 and 2001) with new policy initiatives. This makes the Vietnamese government better than many states, but it still does not amount to a particularly fast or efficient way of responding to policy failure. The government’s response to the 1997 trade shock-induced crisis appeared to many to be slow and at points ineffective. To describe the state, as some do, as ‘sclerotic’ is to exaggerate: however, aspects of Vietnamese political and administrative arrangements do tend to make it inflexible. Better channels of communication between the state and the society it governs, and institutional mechanisms within the state that are better able to interpret and act upon signals received, would help to close the feedback loop in the policy process. Changes that might help would include a freer press; tolerance of more independent development NGOs and research institutions; implementation of grassroots democracy; the more routine use of consultative exercises (including consultation with citizens *outside* the mass organisations) during policy formulation; and continued, conscious evolution of an already existing system of checks and balances.
- increase the incentives for political actors to listen attentively to the problems of their constituents by expanding the role of political competition. Multiparty democracy is obviously one way to achieve this but so too are changes possible within the current one-party system.<sup>32</sup>
- have the capacity and will to supervise and regulate more effectively the actions of private agents in emerging markets. Arguing for an appropriate level of market regulation is not to argue against further liberalisation: the transition to a market economy can be expected to have net positive effects on the reduction of poverty rate (which is after all the story of the 1990s *đổi mới* reforms). However, in the absence of supervision or regulation there is a danger that the

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31 A point of ideological difference would be the extent to which an ‘outward-oriented’ economy is necessarily an ‘open’ economy. Most observers believe that trade liberalisation is a necessity for growth of the kind needed to reduce poverty in Vietnam (see Nguyen 2004). A significant minority, however, point to the earlier experience of other East and Southeast Asian countries, which developed successful export industries behind (at least initially) high protectionist barriers. There is also an understandable tendency for Vietnamese to draw from the saga of US protectionist policies with regard to Vietnamese catfish imports the conclusion that North American and European protectionism will deny Vietnamese producers the promised gains from trade liberalisation.

32 For example, by enhancing powers, responsibilities and capacities of the National Assembly and People’s Councils, allowing them to hold the executive to account. Recent legislation and institutional changes have both strengthened the NA and clarified the roles and responsibilities of the People’s Councils *vis-à-vis* the People’s Committees.

pace of this transition will create the potential for the emergence in certain localities or certain sectors of forms of economic growth that are monopolistic, allowing small groups to erect barriers to market entry, to colonise the local political system, distorting it to promote their interests, and to engage in exploitative relations with employees, contractors, or customers.

- be able to use external assistance more efficiently and effectively. This is not as critical as it is in more aid-dependent countries. Nonetheless, there is room for the government to demand and get more from its donors in terms of pro-poor orientation and less burdensome aid modalities. This will, however, involve addressing (political) issues: the current aid environment creates incentives for elements of the Party-state system to perpetuate uncoordinated and project-based ways of delivering aid.

These are some of the more important outcomes that an improved pro-poor political system could deliver, but it is not immediately clear what precise arrangements are needed to ensure their delivery. It is, for example, a moot point whether increasing democracy *necessarily* improves the ability of the state to promote poverty reduction. Democracy may be an intrinsic good, but the experience of Vietnam during the 1990s suggests that a ‘strong’, one-party state (albeit one with reasonably good internal democracy and a culture of consensus decision-making that prevents it from evolving into a dictatorship) may under certain circumstances deliver achievements in poverty reduction that are as impressive as any democracy. There is, of course, a counter-argument stating that, as with other aspects of the policy system, what worked in the 1990s will not necessarily continue to work now, as Vietnamese society and the economy continue to evolve. It may be that increasing democracy (both in terms of the numbers involved in decision-making and the range of options considered legitimate) was not particularly important during the first decade of economic liberalisation, but that it will become necessary in managing further economic and social change in the interests of poverty reduction.<sup>33</sup>

This maps some of the broad and relatively abstract contours of what might constitute pro-poor changes in the Vietnamese political system. The following sections describe and analyse the PRSP process in Vietnam, assessing whether and how the process and the political outcomes that might be expected from this process match up with this model.

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<sup>33</sup> For some of the arguments and evidence on the relationship (or lack of it) between democracy and poverty reduction at different levels of development and in different circumstances see, for example, Moore and Putzel 1999; Norton 2002 (which summarises the arguments between Leftwich 1996; White 1998 and Sklar 1996); Zakaria 2003.

### 3. The CPRGS process

The CPRGS process was led and, in all important respects, the content was determined by the government, but the process that followed was not the conventional Vietnamese policy process, and a number of the political institutions normally central to policy change were not involved. This section traces the evolution of the CPRGS, which is argued to lie in the confluence of three parallel policy processes. It then details which actors in the Vietnamese political system were and were not involved. The implications of this pattern of engagement and non-engagement for the implementation of the CPRGS are then explored in Section 3.2.

#### 3.1 Origin and evolution of the CPRGS

The PRSP process in Vietnam can be understood as the coming together of three different processes. The first was a domestic process of intensified policy and planning review, on a timetable predetermined by government and Party political cycles. The second was a concerted effort by donors to improve the effectiveness of external assistance to Vietnam by addressing ownership and aid coordination problems. It was in this national context that the third process – the emergence and rapid spread of the PRSP concept within global policy circles – played out in Vietnam.

##### *The GoV policy cycle and the Ninth Party Congress*

The period from 1999 saw intensive GoV efforts to formulate new five and ten-year strategies and plans in the run-up to the Ninth Party Congress in 2001. During 2000, efforts were focused on drafting the Ten-Year Socio-Economic Development Strategy (SEDS), which lays out the development vision for the coming decade. The actions required to translate this vision into reality are then described in the Five-Year Plan (2001–05) and corresponding five-year plans and ten-year strategies for each sector (see Box 3.1).

#### **Box 3.1 Key GoV strategy documents of the 2000 policy cycle**

The Ten-Year Socio-Economic Development Strategy (SEDS) 2001–10: this describes a vision of a transition towards ‘a market economy with socialist orientation’; it notes that ensuring equity during this transition will require more investment in rural and lagging regions, and more gradual reform than that which the international community tends to recommend.

Ten-year sectoral and industrial development strategies 2001–2010: these include:

- Strategy for People’s Health Care and Protection;
- National Strategy for Rural Clean Water Supply and Sanitation;
- National Strategy for Reproductive Health Care;
- Population Strategy for Vietnam;
- National Strategy for Nutrition;
- National Action Programme for Vietnamese Children;
- Overall Programme for Public Administrative Reform;
- National Strategy for Progression of Women until 2010.

Socio-Economic Development Plan, 2001–05.

National Targeted Poverty Reduction and Job Creation Programme.

Prime Minister’s Decisions on socio-economic development in the Central Highlands, Northern Mountains and Mekong River Deltas.

*Source:* CPRGS: 20

### *Innovation in aid modalities: coordination, harmonisation and the CDF*

Towards the end of the 1990s, as the number of donors active in Vietnam and the volume of aid disbursed expanded rapidly, concern grew among a number of major donors<sup>34</sup> about the inefficiencies and potential distortions arising from existing arrangements for aid management. A number of different initiatives were fostered in an effort to address some of the systemic problems of inter-donor and donor-government aid relations in Vietnam. These included attempts in 1999 to quantify the transaction costs of the existing modalities of aid; the promotion (with limited success) of sectoral or sub-sectoral approaches to ODA management; the progressive harmonisation of donor procedures (through EU, inter-IFI and Utstein Group initiatives); and a move among several donors towards joint analytical work and joint financing.<sup>35</sup> Partnership groups were set up to provide a forum for more integrated management of technical cooperation and investments in a number of sectors. These then proliferated: some perform well but others do not.

Of these partnership groups, the most important was the Poverty Working Group (PWG). Established in 1999, this became a key forum for GoV, IFI, bilateral and INGO debate on poverty reduction strategy. Donor-funded research commissioned by the PWG – most notably the report *Attacking Poverty*, which brought together LSMS-based analysis of poverty trends with the findings of four Participatory Poverty Assessments (PPAs) – put in place much of the analytical framework required for a PRSP (and helped to persuade a sceptical government of the value of participation in policymaking<sup>36</sup>).

Finally, it is significant that Vietnam was chosen as a pilot for the Comprehensive Development Framework.<sup>37</sup> There is considerable overlap between the CDF principles and the PRSP approach: dialogue between donors and government over the CDF principles helped to prepare the ground for the subsequent PRSP/CPRGS process.

### *The CPRGS process*

In the summer of 2000, the government announced that it intended to produce a PRSP. Acknowledging that the production of this document would require time and support with analytical inputs, GoV prepared an Interim PRSP (I-PRSP), which would form the basis of the government's discussions with the Bank and Fund over loan arrangements (the PRSC and PRGF respectively). It is worth noting a number of contextual factors which make the PRSP process in Vietnam somewhat atypical. First, Vietnam is not a HIPC country: its motivation for producing a PRSP was to ensure continued access to IFI concessional finance rather than to remove a crushing debt burden. Secondly, aid dependency is much lower than in the typical PRSP-producing low-income country. Thus, while there were still compelling reasons for the government to choose to produce a PRSP that would be acceptable to the Boards of the Bank and the Fund, the need for IFI approval was less critical (and the balance of power between government and donors was qualitatively different) from that seen in a highly aid-dependent country seeking HIPC debt relief. The chance for the government to test the sincerity of IFI commitments to country ownership in the process was thus

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34 although not necessarily the largest: an important feature of the aid environment in Vietnam is that among the largest donors are a number (notably Japan and France) that have traditionally been wary of coordination and quite strongly wedded to traditional, project forms of aid delivery.

35 Brown *et al.* (2000); Bartholomew and Lister (2002); Thornton (2001).

36 Turk (2000).

37 see Jerve *et al.* (2002).

significantly greater than in many other countries. These issues are explored in more depth in Section 4.

The I-PRSP was completed in March 2001. Exceptionally, the Boards of the IMF and Bank agreed in April to approve the first tranches of the PRGF and PRSC (US\$368m and US\$258m respectively) on the basis of this document, in the faith that the full PRSP would be completed, and despite serious concerns about what the I-PRSP did and did not include.<sup>38</sup> To a large extent, this can be seen as a vote of confidence by the IFIs, one based on the extremely good performance achieved by Vietnam in the preceding decade: indeed, it would have seemed quite strange *not* to have recognised the track record of Vietnamese national development strategy in delivering rapid reductions in poverty.

The IMF Resident Representative at the time provided an interesting commentary on the I-PRSP and its status as a negotiated document. He argued that, after some consideration, the IFIs had decided that genuine ownership of the I-PRSP and the potential for gains from through the process of reaching a full PRSP outweighed what were from the perspective of the IFIs a number of very major inadequacies in the document.<sup>39</sup>

In early 2002, the government started to lay out the steps necessary to develop the I-PRSP into the full PRSP. Early in the drafting process, the government decided to name the PRSP the Comprehensive Poverty Reduction and Growth Strategy (CPRGS). Vietnamese officials put considerable emphasis upon this decision, which they say reflects ‘the Vietnamese approach’, in which growth must be included as well as poverty reduction. The drafting of the CPRGS was guided by an inter-ministerial committee of 52 officials drawn from 16 GoV agencies, established in July 2001 and chaired by Dr Sinh of the Ministry of Planning and Investment (MPI). The CPRGS document was drafted in Vietnamese and, before completion in May 2002, went through several iterations, four of which were translated into English and circulated among development partners to facilitate comments and suggestions from external partners.

The donors provided considerable support to the drafting process, with contributions focusing on three sets of exercises.

- The first exercise – which was not presented as directly related to the preparation of the CPRGS, but clearly did serve to support it (and was intended as such) – involved the preparation in late 2001 of Vietnam Development Goals (VDGs), relating the Millennium Development Goals to Vietnamese policy objectives (and trying to refine and reform the latter in the process, by encouraging more rigorous efforts to link policies to medium-term outcome targets).
- The donors also supported two different sets of consultative exercise in 2002. In the first, the key messages from the I-PRSP were distilled and taken out to local officials and communities in six different locations (four of which had previously been the site of PPA exercises in 1998/99). The findings from these community consultations in turn provided one of the inputs to the second round of consultative workshops, in the form of four regional consultations<sup>40</sup> and a final consultative workshop held in Hanoi in May 2002, shortly before the finalisation of the CPRGS.

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38 See Wolff (2002) and de Tray (2001). The Joint Staff Assessment’s critique of the I-PRSP was as follows: indicators and monitoring mechanisms were not identified; there were gaps in the poverty analysis which made it hard to link proposed policy measures to poverty outcomes; sector strategies needed elaboration; programmes needed to be prioritised and costed; participation in the process needed to be strengthened; governance and accountability issues needed to be addressed; and there was a need to pay specific attention to the needs of vulnerable groups who would not necessarily benefit from structural reform.

39 see de Tray 2001 and Section 4 below.

40 one held in each of the Northern Mountain (Tuyen Quang), Central (Quang Binh), Mekong delta (Can Tho) and Ho Chi Minh City regions. The HCMC Regional Consultation served more accurately as a consultation on urban poverty issues, and included representatives from major cities throughout Vietnam.



The final CPRGS document is something of a hybrid document, mixing in content and style the features of both GoV strategic planning and international donor policy documents. Box 3.2 summarises the key features of the CPRGS policy content.

### **Box 3.2 The CPRGS: summary of contents**

The CPRGS focuses on the following main objectives:

- Promoting rapid and sustainable economic growth while ensuring social progress and equity, with attention to: developing agriculture and rural areas; ensuring food security; creating jobs; greater support to disadvantaged areas; and eliminating regional and ethnic inequities.
- Creating an equal business environment for all types of enterprises from all economic sectors including enterprises with foreign direct investment (FDI), and encouraging the development of small and medium-sized enterprises.
- Continuing with structural reforms, including: SOE reform; state budget; commercial banking; financial and credit organisations; trade liberalisation; bilateral commitments under AFTA, WTO accession; promoting income growth; developing markets to distribute consumer goods, etc.
- Undertaking public administration reform, including: institutional reform, administrative reform, civil service reform, and public finance reform to increase accountability in civil service and administration, to improve access to public services, and to ensure social equity.
- Encouraging human development and reducing inequality; priority to quality of and access to health and education services and development; environmental protection, prevention of HIV/AIDS transmission and infection, gender equality and improvement of the life of ethnic groups. Focus on urban poverty – especially regarding employment, income and housing, and ensuring equal access to services.
- Reducing vulnerability and improving the capacity of vulnerable groups to manage risk better by developing and expanding social protection and safety nets for the poor and introducing a more comprehensive approach to natural disaster management.
- Establishing a system of qualitative and quantitative socio-economic development and poverty reduction indicators (with gender and social group elements taken into consideration) to monitor and evaluate the implementation of the CPRGS.

*Source:* SRV 2002; VDIC website.

The June 2002 Joint Staff Assessment (JSA) on the CPRGS acknowledges the strengths of the document and approves it as the basis for Bank and Fund lending, but is also frank about what are seen as the shortcomings of the document, and about the challenges involved in implementing the strategy. Criticisms address: i) the fact that national targeted programmes such as the Hunger Eradication and Poverty Reduction (HEPR) programme have not been systematically evaluated, raising questions about the wisdom of the government's continued reliance upon these as a cornerstone of poverty reduction strategy; ii) the fact that there is a lack of contingency planning in the macroeconomic component of the CPRGS; and iii) that the document fails to address the difficulties of reconciling the objectives of liberalisation, trade development and job creation, and has not adequately modelled the poverty and social impact of the reform strategy and the capacity of safety nets to respond to these outcomes. As in the I-PRSP, monitoring and evaluation processes are considered to be underdeveloped. The JSA calls for further specification and prioritisation of sector strategies, and their linkage to resource allocation decisions (aligned between national and provincial levels) within a medium-term expenditure framework. The staff welcomed the preliminary costing of priority actions included in the CPRGS, but noted the confusions in the presentation of this analysis and called for more work on this<sup>41</sup>.

The JSA is particularly critical of the treatment of governance issues in the CPRGS, implicitly identifying lack of attention to these issues as a constraint upon the ability of the GoV strategy to deliver upon its growth and poverty reduction objectives. The JSA notes that there is superficial

<sup>41</sup> IMF and IDA 2002.

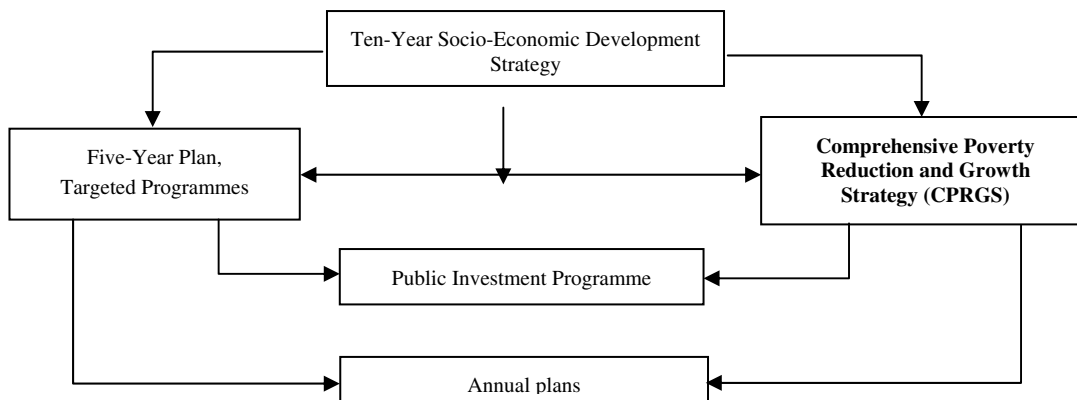
treatment of the serious problem of corruption, and that there is no detailed implementation plan for public administration reform, or for accelerating the slow implementation of the Grassroots Democracy Decree. It emphasises the urgent need for a strong GoV coordination function to implement the strategy, calls for involvement of all stakeholders in implementation, monitoring and evaluation (arrangements for which are not clear) and notes that it is unfortunate that the CPRGS was not debated by the National Assembly.

### *Status of the CPRGS within the Vietnamese political system*

The final CPRGS document is described by the government as an action plan that translates the government's Ten-Year Socio-economic Development Strategy, Five-Year Socio-economic Development Plan as well as other sectoral development plans into concrete measures with well-defined roadmaps for implementation (SRV 2002).

MPI officials connected with the process describe the CPRGS as a document which 'concretised' the targets of the Five-Year Plan and Ten-Year Strategy, connected them to a timetable, and provided the basis for translating five-year targets into annual goals (as captured in the annual socio-economic development plan that must be passed by the National Assembly).

**Figure 3.1 The relationship between the CPRGS and other planning documents**



Source: SRV 2002: 3.

One of the major problems seen with the CPRGS is that the draft Public Investment Programme (PIP) would seem to suggest a continued lack of systematic prioritisation in public expenditure, which is significantly out of step with the commitments contained in the CPRGS. This is troubling, as the PIP is produced by the same department within the same ministry (MPI) that prepared the CPRGS. This apparent failure of the CPRGS to shape expenditure prioritisation was picked up by most of those interviewed as the primary weakness of the strategy and the most serious challenge to its credibility (see Section 4 below).

### **3.2 Engagement and marginality in the CPRGS process**

It is clear from the account above that some actors in the Vietnamese political system were centrally engaged in the CPRGS drafting process, while others (normally expected to be intimately involved in a major policy change) were only barely involved, if at all. Finally, some new actors (communities, NGOs) were involved to a greater degree than in the past – or in a different way – giving them a voice in the policy process that they had previously not had. This unevenness of participation is what makes it hard to characterise the degree of 'country ownership' in any simple terms (a question addressed in Section 4 below).

The following pages conclude this section by identifying which elements of the Vietnamese political system were engaged in the CPRGS process, and in what ways. Section 3 then builds on this by discussing how these elements related to each other during the process, and what this might mean in terms of a CPRGS influence on Vietnamese political processes.

### *The CPRGS and the Party-state system*

The potential for different actors to become engaged in policy development in contemporary Vietnam is, of course, fundamentally bounded by the rules of one-party politics. The extent to which the CPRGS process has to date served or might serve in the future to draw different actors into political competition over policy choices is thus more limited than it might be in a multiparty democracy (see Section 4 below). That said, the Vietnamese political system, as mentioned previously, displays a relatively high level of *internal* democracy: major policy decisions involve consultation within the Party and associated mass organisations, and extensive (if sometimes poorly structured) debate within government. This, then, suggests the line to be taken for a first ‘cut’ on the issue of political engagement. The crucial questions here are: did the CPRGS involve all the actors conventionally involved in consensus-based policymaking and assumed to be important for policy success in Vietnam? Is the resulting document known to, and seen as legitimate by, those stakeholders that will be involved in its implementation?

One of the key points made by critics of the CPRGS drafting process (and acknowledged as a problem by those who are supportive of the process as a whole) was that it failed to engage with the representative structures of Vietnamese politics (i.e. at national level, in the National Assembly, and at sub-national levels in the People’s Councils). It does not appear to have been a major point of reference for domestic political actors: it was not, for example, a topic of the Ninth Party Congress of late 2001, nor was it debated in the National Assembly. These bodies were not entirely excluded: donors supported a consultation exercise with female members of the NA on the content of the CPRGS, and some People’s Councils contributed to the content of the CPRGS through participation in the community and later through the regional consultations that debated the I-PRSP (although these, of course, represented only a very small sample of the total population of People’s Councils).

At the outset, then, the CPRGS does not compare well with the purely national Ninth Party Congress documents, such as the SEDS, in terms of breadth of consultation within the Party-state system. Nor does it emerge as a high-profile topic in a brief review of the state newspapers in the way that other purely Vietnamese policy declarations associated with the Party Congress have done. The impression is that it was decided at a high level that it was necessary for Vietnam to complete a PRSP but not to go through the protracted process of conventional policy formulation in order to get to that stage. The most intense engagement was thus that of central government; the People’s Councils, National Assembly, provincial governments and mass organisations were not entirely or deliberately excluded, but were much more peripheral to the process.

The degree to which different parts of the central government were involved varied considerably. All ministries engaged to some degree, in the sense that each sent two delegates to the MPI-led drafting committee. However, the quality of this engagement varied considerably, depending on how important the ministry in question perceived the CPRGS to be, and – reflecting this – the seniority and open-mindedness of the delegates they assigned to the committee (or who managed to insert themselves later). One of the early issues – and one which continues to reverberate to a certain degree – was the role of the Ministry of Labour, Invalids and Social Affairs (MOLISA). MOLISA was regarded (and regarded itself) as having the primary responsibility for poverty reduction policy, understood through the 1990s primarily in terms of targeted anti-poverty

programmes. At a relatively early stage in the CPRGS process, responsibility for leading on the drafting of the CPRGS was taken away from MOLISA and reassigned to MPI. There appears to have been considerable resentment of this within MOLISA; for a long time elements within MOLISA continued to claim that the new HEPR plan for 2001–10 took precedence over the CPRGS. The result was that MOLISA was largely absent from the process until shortly before the Haiphong workshop in late 2001, when they began to re-engage substantially. Other ministries also went through phases in which they contributed little and phases – generally towards the end of the process – during which they provided quite intensive inputs.

The relationship between the CPRGS and the Party is, inevitably, hard to assess. As with any major policy decision, the CPRGS had to have received approval of the Party at a senior level. It is not known, however, to what extent it was debated within the Party, and at what level. The CPRGS does not seem – at least not yet – to be strongly associated with the political project of either the ‘reform’ or the ‘conservative’ groupings within the Party. However, it is very hard to be certain about whether it has been debated in greater depth within internal Party circles, given how little those outside the Party know about the projects of individuals or the debates between them.

It is also still very early on in the process of CPRGS implementation to reach anything but tentative conclusions about the potential political trajectory of the CPRGS, including conclusions about which actors will ultimately be involved. There is a difficulty in attempting to engage in a process of implementation those elements of the political system (especially provinces) that were not engaged in the formulation of the policy in question, particularly given that in the Vietnamese consensus-based system such actors *are* accustomed to being involved in debates prior to implementation. Once again, however, it may be too early to make definitive judgements. Among those interviewed, several expressed the view that two years would not be an unreasonable timetable for completing the process of translating the CPRGS into provincial policies.<sup>42</sup> Early signs are that the provinces may be receptive to the idea that the CPRGS provides them with policy opportunities. In October 2002 there was some evidence that domestic actors were beginning to refer to the CPRGS (for example, as a national framework document for provincial-level planning); a Vietnamese commentator closely associated with the process who was consulted again in March 2003 expressed the belief that the CPRGS was indeed taking root in ministries and provinces.

### *Introducing new actors and building new connections in the policy process*

If the first perspective on political participation in the CPRGS process involves looking at how the CPRGS appears to have relatively shallow roots in the core institutions of the *existing* political system, the second approach to evaluating the degree and quality of participation in the CPRGS process involves asking whether the process has drawn in *new* actors; whether it gave marginalised groups among the poor access to the policymaking process; and, if gains were made in this regard, what the prospects are that these gains can be sustained and consolidated in institutional practices.

Although the degree of popular participation fell short of the ideal expressed in the PRSP principles, the CPRGS process did clearly draw new voices into the Vietnamese policymaking process. A number of Vietnamese NGOs participated in the drafting process and have expressed their satisfaction with what they gained through this engagement (see Section 4.2 below). The CPRGS also introduced new modes of participatory or consultative policy development to the Vietnamese political system, through the organisation by the Poverty Task Force of the ‘consultations with the

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<sup>42</sup> It is worth noting both that Vietnam is among the most populous of the countries that have so far completed PRSPs, and that the number, size and responsibilities of the Provinces are considerably greater than in many if not most other ‘PRSP countries’. The dynamics of national-sub-national policy dialogue is thus inevitably more complex, and more protracted, than in smaller countries with fewer and less capable sub-national governments.

poor', in which community discussions around the policy content of the I-PRSP were facilitated at six sites in Vietnam. This effectively drew in citizens outside the Party-state structures (i.e. those who were not members of mass organisations or the Party) who would normally not have a voice in policymaking. Although it is debateable whether this alone has been enough to institutionalise direct consultation with the poor as a routine in Vietnamese policymaking (see Section 4.3), it built upon and helped to consolidate earlier innovative participatory policy research (the PPAs which went into the 1999 Vietnam Poverty Report), and helps, incrementally, to make the case for wider use of such consultations.<sup>43</sup>

Besides introducing new actors to policy debate, the CPRGS achieved a small but important gain by introducing some innovative ways of bringing together conventional policy actors. Inter-sectoral policy development in Vietnam is not, as is often asserted by donors, uniformly or routinely poor – *ad hoc* Drafting Committees are formed to engage relevant ministries in the formulation of new legislation, and policy drafts are circulated widely for comment – but it is patchy. The CPRGS drafting committee was an unusual exercise in bringing together line ministries *as a group* with the MPI and MoF, enabling all (governmental) actors, including sectoral actors, to engage in holistic debates about poverty and poverty reduction and to set these in the context of a broad macroeconomic and public expenditure context. The fact that some of the ministries did not take full advantage of this opportunity qualifies, but does not entirely negate, the significance of this achievement. Similarly, the regional workshop in Ho Chi Minh City largely focused upon urban poverty issues, drawing in participants from other major cities to debate common problems with urban government and urban service delivery.

### *Vietnamese perspectives on donor engagement in the CPRGS*

External partners – the IFIs, donors and international NGOs – should perhaps be included in the section above, in that the CPRGS drafting process involved them in GoV policy debates in ways that differed considerably from the past. Since the mid-1990s, donors and INGOs have become increasingly accepted by GoV as legitimate partners in policy debate.<sup>44</sup> Nonetheless, the CPRGS drafting exercise has added to this. Whereas there has been increasing acceptance of the contribution donors might make to the development of sectoral policy, the CPRGS was the first time that (most) donors were (more) collectively engaged in a debate about overall, cross-sectoral policy, linkages and priorities.

By and large, donor engagement appears to be seen as generally positive by domestic political actors, although inevitable divisions within both domestic and donor groupings complicate the picture. There have been varying levels of government resistance to some aspects of the main (that is to say, World Bank-led) donor line on the CPRGS. The Ministry for Labour, Invalids and Social Affairs (MOLISA), for example, mounted a strong attack on the Social Protection VDG paper (which suggested that social protection in a market economy needed to be re-conceptualised in a manner fundamentally different from that employed by MOLISA).<sup>45</sup> In summary, although the government did feel that the donors pushed some issues on the CPRGS agenda, it resisted those bits with which it felt uncomfortable. While there was a rush to complete the document on time, this was due primarily to the GoV desire to complete a process that would allow them to obtain access to Bank and Fund loans, rather than to any concerted IFI pressure for a speedy completion.

<sup>43</sup> Shanks and Turk (2002a, b); Turk (2000); PWG (1999).

<sup>44</sup> although there remains a strong sense of national sovereignty and there are aspects of policy on which partners are *not* expected to comment. As donors have moved away from projects towards more coordinated and coherent aid modalities, so GoV actors have (to varying degrees) accepted the logic of dealing with donors collectively rather than individually.

<sup>45</sup> MOLISA appeared to have softened its line by the time the CPRGS was finalised, as elements of the Social Protection VDG had been incorporated into the text. However, interviews with MOLISA officials in October 2002 suggested that this issue was perhaps not as fully settled as donors had hoped.

Although relatively minor actors on the periphery of the political system, a number of Vietnamese NGOs also reported their broad satisfaction with the ways in which they were engaged in the CPRGS drafting process. It was felt that the process, and donor involvement in it, had enabled them to sit around a table with line-ministry and MPI officials to discuss fundamental policy issues, as this had not happened previously and would probably not have happened at this stage in the absence of the CPRGS.

### *Conclusions*

In summary: in terms of the engagement of national policy actors, the CPRGS was to a large degree a top-down affair. Perhaps primarily owing to the GoV desire for a quick completion of the document, there was only rather limited effort by the political leadership to draw in the full range of institutions within the Party-state system (e.g. the provinces, People's Councils and National Assembly, mass organisations) which would normally be involved in the formulation of such an important document. Limited engagement in formulation does imply difficulties – though not necessarily insurmountable – further down the line during implementation.

Partial compensation comes in the form of both the engagement of political actors that were in the past either absent or marginal; and in the form of qualitative changes in the *type* of engagement of both national and international policy actors.

The next section examines the political significance – both short and long term – of these patterns of engagement, and how they have been shaped by and, in turn, have helped to shape the evolution of the Vietnamese political system and the way in which it frames the policy process.

## 4. Interactions between the PRSP process and political context

### 4.1 Accountability

Contemporary Vietnamese political culture is, at a fundamental level, supportive of the concept of accountability. As a ‘mass-regarding’ political system, it has established the expectation that officials at both local and national levels are ultimately meant to serve the people.<sup>46</sup> There is a basic concept of public service, underpinned by a socialist ideology, which establishes the ideal that officials should be accountable for their actions and which, at a minimum, defines certain actions (e.g. overt forms of corruption) as unacceptable and subject to sanctions. The National Assembly is increasingly involved in defining and enforcing this accountability for probity and efficiency (albeit often still at the invitation of the Party).

Tensions do arise, however, when some of the people do not want the same things or to pursue them in the same way as the state believes they should; or, to look at it another way, when the people want the government to adopt policy directions that contradict its ideology or management of interests within the Party-state system. Much of the reform process, beginning with decollectivisation, has been about officials recognising popular resistance to policies and eventually adapting policy in the light of this resistance. Accountability of the national government for broad policies is typically manifested in an indirect and cumbersome manner, as the state is eventually forced to acknowledge manifest policy failure arising from mass non-compliance (see above). Arguably, the sweeping transformations that have occurred during *đổi mới* have resulted in a dilution and dispersion of accountability relative to that which was enforced under the old statist arrangements. At the local level, however, the electoral mechanism, while constrained by one-party rules, does create potential for some genuine accountability to local residents.<sup>47</sup>

In the parallel Party structures also, it is possible to argue that there has been a process (albeit slow, intermittent and subject to reversals) by which the balance of power has gradually shifted over recent years, with lower, more representative levels empowered against the senior leadership, and more room for Party leaders to be held accountable for performance. The election in 2001 by the Central Committee of Nong Duc Manh as Secretary-General of the Party, overriding the stated preference of the Politburo to retain the unpopular incumbent, Le Kha Phieu, is cited as illustrative of these ‘systemic changes’.<sup>48</sup>

At a very pragmatic level, there is a need for basic financial accountability to ensure the probity of public expenditure management. Citizens may not agree with policy, and may not expect to be able to hold officials directly accountable for outcomes, but they do expect that those officials should be held to account in using public resources according to law. This expectation is rooted in a discourse of Ho Chi Minh’s ‘revolutionary ethics’ (*dao duc cach mang*), which drew heavily upon Confucian principles of what would today be called good governance.<sup>49</sup> There has been recognition of the need to make local government in particular more accountable if corruption is not to erode economic performance and political legitimacy.<sup>50</sup>

46 The phrase ‘mass-regarding’ comes from Brantly Womack, cited by Kerkvliet (1995: 400).

47 Malarney (1997) provides an interesting account of how local popular pressure can override the preferences of the Party, using the political careers of two local officials in a Red River delta commune. In the first case, an efficient and ideologically exemplary Party-preferred candidate was voted out of office (the President of the People’s Committee) for offending local residents with his imperious style; in the second case, a charismatic leader was first voted back into power against the wishes of the Party (because people saw his success in economic management as outweighing his nepotism and corruption), and then voted out of his second tenure (once again in opposition to the now-changed preferences of the local Party) when his corruption exceeded acceptable boundaries.

48 Abuza (2002).

49 Malarney (1995: 908–12).

50 Corruption is arguably the issue that most seriously undermines the state, with surveys revealing that Vietnamese citizens rate the need for financial accountability more highly than multiparty democratic political rights (The Economist 2002). These findings

The CPRGS has addressed these different aspects of accountability to different degrees. Essentially, it reiterates the fundamental principle that the government is accountable to the people; makes specific reference to local accountability through confirming commitment to existing legislation on this subject (the 1998 Grassroots Democracy Decree); but remains largely silent on the subject of accountability at national level, arguably because any significantly new approach to this might involve questioning the one-party basis of contemporary Vietnamese politics.

### *The CPRGS and local accountability: the Grassroots Democracy Decree*

The key provisions of the CPRGS with regard to governance issues are as follows:

- To enhance people[’s] participation, including the poor, in policymaking and implementing through application of the Grassroots Democracy Regulation at the district and communal levels.
- To continue to guide and check the implementation of the Grassroots Democracy decree to ensure that it is put into practice at the commune, precinct and township levels. To implement the Decree on a widespread basis throughout all hamlets, villages and sub-precinct population groups in the country. To maintain on a permanent basis the implementation of the Decree and turn it into permanent practice at the grassroots level.<sup>51</sup>

The Grassroots Democracy Decree (GDD) – also referred to as Decree 29 – is thus central to what the CPRGS has to say about improved accountability. The Decree was introduced in May 1998 following rural unrest in the northern coastal region.<sup>52</sup> Explicitly tied to Ho Chi Minh’s doctrines of ‘People know, people discuss, people execute and people supervise’,<sup>53</sup> it was intended to improve transparency, participation and accountability at local levels. The GDD starts by identifying what is essentially a familiar typology of forms of participation, and then goes on to mandate policies designed to achieve each of these forms.

To date, the impact of the GDD has been patchy. Both capacity and political will play their part in explaining slow implementation. Although people are seen to be increasingly aware of their rights and of how to pursue them (especially in urban areas), studies at commune level illustrate how it is possible for People’s Committee officials to manipulate the democratic institutions of GDD (elections, meetings and grievance procedures) so as to ensure that decisions are made the way they prefer, and to insulate themselves from genuine accountability, particularly to the uneducated poor.<sup>54</sup> One Vietnamese NGO representative summarised the uneven progress of the GDD since 1998 as ‘like our renewal politics – good on paper, implemented in some places, but ignored in others.’

In summary: the government at the highest levels takes very seriously the idea that there should be some form of local accountability. Avoiding crises such as those seen in Thai Binh in 1997 or in the Central Highlands since 2001 is seen as essential to preserving the legitimacy of the current

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should of course be interpreted with care: it is possible that this expression of priorities is strategic and reflects the fact that concern with corruption is legitimate in terms state ideology, while advocacy of multiparty democracy is not.

51 SRV (2002).

52 In 1997, half of the villages in Thai Binh province rose in protest against corrupt local officials. Mass demonstrations, the sacking of Party offices and a number of deaths prompted a high-level investigation by the centre which resulted in the imprisonment of dozens of local officials and the dismissal of hundreds more (Kleinen 1999: v-vi). See SRV (1998) for the text of the Regulations which operationalise the Decree.

53 Agarwal (2002).

54 Tran (2002).



political regime.<sup>55</sup> However, the CPRGS has to date made at best a minor contribution to the development of this kind of accountability. It does reiterate the commitment to the 1998 Grassroots Democracy Decree, but not particularly strongly. Nor does it specify any policy innovations that would accelerate progress in implementation from the uneven and overall slow pace seen to date.

### *The CPRGS and accountability of the national government*

There is not much mention in the CPRGS of anything that would increase the accountability of government at a national level. The scope for donors to assist here is limited. It is clear that the government is increasingly willing to engage in debate with donors on issues of economic or social policy reform that were considered off-limits only a few years ago. However, the question of how the government might be made more accountable to its citizenry – with the implication that at present it is not fully accountable – almost certainly strays into what is considered unacceptably ‘political’ as a subject for donor engagement.

## **4.2 The CPRGS process and the creation of policy space**

The CPRGS, while far from polished, has significantly broadened the established GoV approach to poverty reduction, which had previously emphasised targeted anti-poverty programmes and was strong on political commitment to a vision of change, but weaker on the links that needed to be made between policy, inputs and outputs necessary to achieve this change. This conventional GoV discourse of anti-poverty policy can be seen for example in the ten-year strategy for Hunger Eradication and Poverty Reduction (HEPR), produced in 2001 for the Ninth Party Congress. The I-PRSP and the later CPRGS, by contrast, made links between structural reforms in the economy and delivery of basic state services on the one hand and poverty reduction goals on the other.<sup>56</sup>

The new policy content in the CPRGS is, of course, in large part due to intensive policy dialogue among government officials and a range of donors and international NGOs, and can be attributed to lobbying by external partners for specific new policies. This process created new policy space, as argued for by the donors and agreed to by the government, opening up the drafting process to contributions from sub-national levels of government and the direct, roundtable participation of quasi-autonomous research organisations or NGOs (as well as citizens – a process which is addressed separately in Section 4.3 below).

### *Changing relations within central government*

If the CPRGS has had a systematic effect in relations within the structures of central government, it is likely to have involved the changing nature of interaction between the Ministry of Planning and Investment (MPI), the Ministry of Finance, and the line ministries. Interpretations of the nature of these changes by external observers vary considerably. One line of argument is that the CPRGS drafting process empowered the line ministries in their relations with MPI (relations in which MPI had traditionally been able to dominate): by requiring MPI to debate policy choices in a roundtable with all spending ministries present (rather than, as previously, to debate policy and resource allocation with the line ministries in a series of separate, bilateral discussion), the MPI was encouraged to accept the strategic thinking of the line ministries. Cited as illustrative of this effect is

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<sup>55</sup> As in Thai Binh in 1997, the demonstrations in the Central Highlands were motivated by anger at local corruption, exacerbated in this case by local ethnic tensions between non-Kinh (often evangelical Christian) minority groups and Kinh (many of them migrants), who were seen to be exploiting or displacing non-Kinh, often in collusion with corrupt local officials (Human Rights Watch 2002).

<sup>56</sup> Shanks and Turk (2002).

the case of the Ministry of Agriculture and Rural Development (MARD: see Box 4.1). Other observers take the directly opposite position, arguing that the CPRGS empowered MPI to impose its preferences over many if not all of the line ministries (most notably MOLISA, but also others<sup>57</sup>).

#### **Box 4.1 Agriculture in the CPRGS**

When MPI invited MARD to nominate two individuals to sit on the CPRGS drafting Committee, MARD selected two officials from the Department of Resettlement – which has long been regarded as having the MARD poverty remit (as defined in terms of targeted actions) within the Ministry, dealing as it does with the distribution of new land to landless households. However, the cross-departmental taskforce charged with formulating the MARD input to the CPRGS was chaired by an official who, with the assistance of the Rural Development section within the World Bank, led the production of the first of the commentaries on the draft CPRGS. This brief document was initially rejected by MPI because it was produced by the taskforce rather than the MARD delegates to the CPRGS drafting committee. After a great deal of debate between the various parties, most of the taskforce's suggestions made it into the final CPRGS.

#### *Some policy space for sub-national government*

The CPRGS process did also open up the policy process to some input from actors at sub-national levels of government. This was achieved largely through the four regional consultation workshops. MPI staff reported that these workshops were held because those drafting the CPRGS wanted to hear what the provinces had to say on means to achieve development goals in different circumstances, and on measures by which to track progress. As presented by officials of the central government, however, these contributions would seem to have been rather modest in scope: they were seen largely as highlighting the need for a different prioritisation of specific problems and (centrally determined) interventions in different circumstances.<sup>58</sup> From the perspective of officials in Hanoi, then, there seems to be only rather limited appreciation of the contribution of provincial actors to policy development.<sup>59</sup> Nonetheless, the four regional exercises did serve to sensitise the authors of the CPRGS to grassroots perspectives on what policies did and did not meet with the approval of the poor. This not only implies the need to allow for variations in the interpretation of central policies (a principle that is reasonably well accepted in the Vietnamese policy system) but also, importantly, served to confront policymakers with instances when the grassroots *consistently* challenged a particular aspect of central policy (e.g. on the importance of school fees as a barrier to the education of children from poor families).

#### *The role of non-governmental organisations in CPRGS policymaking*

The first difficulty in assessing the role of the CPRGS in creating policy space for non-state actors is in defining the non-governmental sector in Vietnam. The first group of organisations that need to be addressed are the Party-sponsored mass organisations (the Women's Union, Veterans' Association and others), which operate under the overall umbrella of the Fatherland Front. Although these do exist primarily to mobilise social opinion and action in support of the Party, they

<sup>57</sup> Norlund *et al.* (2003).

<sup>58</sup> Thus, the lack of infrastructure was identified as the most serious obstacle in the Northern Mountains, while the main problem in the central region was the risk of storm and flood damage in regular natural disasters.

<sup>59</sup> In support of this analysis, critical INGO commentators noted that the four exercises do not directly translate into policymaking fora, as the regions have no administrative status: there is no level of government that exists between the centre and the provinces. This is true, but was not critically important for this exercise. Rather than a forum for making policy, the regional exercises were – realistically – conceptualised as an opportunity to give a light but representative sample of district and provincial officials a chance to debate policy ideas with national actors involved in drafting the CPRGS. Given that there is no regional level of government, the only alternatives available to the CPRGS actors were i) to ignore sub-national levels entirely and accept that the CPRGS paper would be an exclusively national document; or ii) seek CPRGS debates in all 61 provinces and municipalities. The latter was simply not possible, given the timeframe allowed for the drafting process. It is worth noting with regard to this issue (and several others) that Vietnam is among the most populous of the countries that have prepared a PRSP to date.

do exercise some influence on policy, and it is misleading to regard them as simply the channels by which Party decisions are enforced. They certainly do perform this role but also represent the interests of particular social groups – women, veterans, farmers – within Party and government policy debates. As such, they may influence policy at two stages: by contributing to policy formulation (they are, for example, consulted during the formulation of strategies at the Party Congress); and, to the extent that they have a role to play in communicating and implementing policies from the centre down to the provinces, districts and communes, they may exercise a nuanced influence on policy outcomes.<sup>60</sup>

The degree to which these groups were closely engaged in the CPRGS drafting process varies considerably. The Women's Union was probably the most closely involved (running consultations on the CPRGS with local officials), but other mass organisations were also invited to review drafts and to attend meetings. Overall, however, the mass organisations played less of a role in the CPRGS than they would have done in a conventional GoV policy formulation process (e.g. the five and ten-year policies associated with the Ninth Congress). In some cases, the lack of a substantive contribution from a given socio-political organisation can be explained in part as due to a lack of capacity or will to facilitate upon the part of the ministry that normally forms their point of contact. (This is perceived to have been the case with the official trade unions: MOLISA's withdrawal from the mainstream of the CPRGS process for a critical period made it hard for the TUs to engage with the CPRGS process, and for donors that might have been interested in working with the TUs to reach out to them.)

In some cases, the absence of a mass organisation may have made the drafting process easier. On those occasions when the mass organisations do assert themselves in policy, it is often along rather corporatist lines not necessarily in the interests of the poorest (for example, the Peasant's Association has in the past successfully lobbied for subsidies to farm-gate prices). Nonetheless, as with the failure to involve the National Assembly in debating and approving the CPRGS, the failure to engage the mass organisations in the drafting process made the resulting policy framework somewhat more shallow and thus less effective than it could have been.

By contrast with the mass organisations, which are directly rooted in the CPV political substrate, civil society or private sector organisations, as understood in international development discourse, are quite new in Vietnam and also have quite ambiguous connections to the political system and the policy process. NGOs in Vietnam are much less numerous or influential – and almost always closer to the state – than their counterparts in other countries. This has to do with the origins and evolution of the sector. Contemporary developmental NGOs without explicit Party affiliation are essentially a product of the *đổi mới* reforms and the retrenchment process during the late 1980s. Administrative decentralisation and consolidation reduced the size of the state apparatus by some 50,000, with many of the cuts falling on scientific and technical institutes and professional interest groups. Many of the NGOs that emerged at this time are the descendants of government institutes which, repackaged as NGOs and staffed largely by retrenched government staff, replaced lost state funding with donor or INGO funding. Although they may welcome the increased autonomy, it is important to remember that they have nonetheless emerged from the political mainstream of Party-state organisation (indeed, that some may still be holding government posts), and that different organisations vary in the degree of independence they desire or achieve.<sup>61</sup>

Several of these quasi-autonomous organisations were involved in the CPRGS process, largely at the suggestion of donors or INGOs. These included LERES – the Law Faculty Center for Legal

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60 Gray (1999: 703).

61 On the basis of a review of the NGO sector in 1999, Gray argues that the case of Vietnam supports the Gramscian perspective on civil society as a contested public space, and not (as de Tocqueville argued it to be) intrinsically separate from the state; and that democracy is more likely to be the cause rather than the result of NGOs. By extension, donor strategies of supporting Vietnamese NGOs as a means to creating civil society and promoting accountability and democracy may be unrealistic (Gray 1999: 693–713).

Research and Services, attached to the Vietnam National University – and the Reproductive and Family Health Association. The directors of both organisations expressed their appreciation of the opportunity to sit around the table and debate policy issues in an integrated, inter-sectoral manner with the senior staff of both line ministries and MPI. In summary, the engagement of non-state organisational actors in policy and budget processes in Vietnam has been significant (as it was the first time that they were involved in this way at this level), but still limited. The CPRGS opened up the policy space a little further to more open-minded quasi-governmental organisations. Once again, however, there are questions about the degree to which these gains can be sustained beyond the drafting process.

### 4.3 Citizen engagement in the CPRGS process: the grassroots consultations

It was argued above that the interface between citizens and policymakers in socialist Vietnam has been conducted largely on atomistic terms. The involvement of ordinary citizens in policy change has been not in the form of formal and institutionalised engagement in policy debates, but through ‘everyday resistance’. This form of citizen influence on government policy was most notably significant in forcing the Party and state to reconsider the policy of collectivisation.<sup>62</sup>

The ‘mass-regarding’ nature of the Vietnamese state means that resistance is perhaps recognised earlier (and once recognised is accorded more respect) than in states less concerned with popular legitimacy. However, policy change by incremental response to popular resistance is a slow and inefficient way to design, test, implement and change policy. Therefore, one of the more valuable roles that the CPRGS could potentially play is that of formally opening up policy fora to popular participation. This would allow policymakers to solicit a breadth of opinion on the desirability and feasibility of proposed policy changes, and open up more direct channels of communication by which non-state actors could feed back legitimised commentary on policy implementation.

The CPRGS did open up the policy process somewhat to citizens through the grassroots consultations on the I-PRSP. Although poor people did not have a forum in which they could speak directly with policymakers attached to the CPRGS, they did, through the consultations, have a chance to react to the I-PRSP, commenting on what appeared feasible and worthwhile, what appeared *not* to be feasible and/or worthwhile, and what was missing.

MPI officials described the findings presented by the six consultation teams as a very important input into the redrafting process and into the final form of the CPRGS. The write-up of the grassroots consultation experience identifies six examples of policy areas in which the consultations influenced the final outcome of the CPRGS.<sup>63</sup>

#### **Example One – Policies to tackle the social exclusion of migrants in urban areas**

Those who migrate to urban areas in which they are not registered as residents face great difficulties in obtaining access to state social services and safety nets. This is a major factor in explaining the patterns and dynamics of urban poverty in Vietnam. The government has for a long time resisted calls to provide *de facto* recognition of the rights of these ‘illegal’ migrants. In this context, it is significant that the CPRGS contains one of the most explicit commitments made to date on the need for more inclusive service delivery in urban areas, given that this was not present in the earlier I-

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62 On the basis of recent history, it seems that the other way in which ordinary citizens can influence policy – and relatively quickly – is through occasional displays of overt resistance. As described above, the protests against local government corruption in Thai Binh in 1997 gave rise to the Grassroots Democracy Decree in 1998, while the protests in the Central Highlands in 2001 led to the production of new land laws specifically designed for ethnic minority groups. The Party-state system is sensitive to challenges to its legitimacy, and while its response to mass protests will include the deployment of police, military and judicial power in order to reassert law and order, it will also include policy changes designed to address the sources of grievance.

63 Shanks and Turk (2002a: 45–48).

PRSP.<sup>64</sup> Those involved in the consultations make a plausible claim that the latter helped to ensure the inclusion of this policy commitment, both directly and through providing the Urban Forum Sub-Group (in which the Swiss in particular were active) with the evidence they needed to present their case to MPI.

### **Example Two – Financial access to basic social services**

The out-of-pocket costs of education, particularly for poor families, were an area for concern before the CPRGS consultations. The consistency with which this problem was mentioned in all six consultation sites helped to convince the government – particularly MPI – that it would not be able to meet the ambitious I-PRSP targets for universal primary and lower secondary education if the fees and charges associated with education were not reduced. The result was a CPRGS commitment to create a package of exemptions for children from poor households. Follow-up work is now required to formulate the exact mechanisms and estimate the cost implications, but this remains a significant achievement.

### **Example Three – Ensuring greater local participation in infrastructure development**

The I-PRSP stated that the government intended to use infrastructure development as a means of employment creation. On the basis of experience to date<sup>65</sup>, participants in the consultations believed that this would not occur without significant changes to the ways in which infrastructure projects were planned and implemented. More local participation, more training and more effort to use local construction companies were seen as necessary to ensure better infrastructure and more local benefits from employment generation. These comments were picked up and reflected in CPRG policy commitments.

### **Example Four – Improving transparency and accountability of local government**

Strategies for increasing grassroots democracy were not very well specified in the I-PRSP. To the surprise of the researchers facilitating the consultations, participants were surprisingly open and assertive on this subject, and provided a range of suggestions to help the government achieve their objectives of greater participation in decision-making. The inclusion of these suggestions in the synthesis report that was submitted to MPI (reinforced through other channels) helped to ensure that these issues were more fully developed in the final draft of the CPRGS.<sup>66</sup>

### **Example Five – Upholding labour standards**

The I-PRSP assumed, on the basis of sound analysis, that growth-driven poverty reduction would depend critically on the continued development of the private sector. The consultations (particularly in Ho Chi Minh City) confirmed that poor people saw private sector job creation as highly important, but also revealed concern with the risks and vulnerabilities involved when the poor interacted with changing labour markets. People emphasised the need to be able to claim their rights under the Labour Code, to establish trade unions in private enterprises, and to claim support for income lost due to workplace accidents. The CPRGS includes commitments (albeit somewhat imprecise) to review these issues and ‘protect worker rights and working conditions in a market economy’. The contribution of the consultations in this case was less one of achievement of new policy commitments and more one of moving issues of labour rights into mainstream discussions of vulnerability and poverty.

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64 The specific commitments are as follows: to ‘Solve the problem of urban poverty of special characteristics with regard to employment, income and housing...Ensure the urban poor have equal access to resources, public services and basic social services. Improve the access of migrants, especially their children, to these resources and services...Review labor migration policy and household registration policy to make it easy for people to move to better paying jobs’.

65 most notably in the geographically targeted, infrastructure-focused poverty reduction activities of Programme 135 over a period of some years.

66 These commitments are to be found largely in sections entitled ‘Implementation of the Public Administration Reform, Legal Reform and Pro-poor Good Governance’; ‘Enhance Grassroots Democracy and Strengthen Dialogue between Local governments and Poor Communities’; and ‘Provision of Legal Support to the Poor’.

### **Example Six – Providing a platform for participatory monitoring of progress**

The consultations proved that it was possible to have useful debates with the poor on policy issues, giving weight to the argument that feedback from poor communities should be part of CPRGS monitoring. The CPRGS seems to signal a commitment to build on the consultations and to encourage the involvement of non-GoV actors in participatory monitoring.

In addition to these examples identified by those directly involved in the consultations, other stakeholders have highlighted instances in which the consultations may have had an influence, including, most notably, the shift to a slightly less moralistic and more practical framing of issues of HIV control.

### *Summary: opportunities for and obstacles to citizen participation post-CPRGS*

The number and diversity of influences upon the drafting committee of the CPRGS makes it hard to claim with confidence that the grassroots consultations are solely responsible for the inclusion of particular policies. However, there is a good case to be made that these exercises in citizen participation did have at least a supporting and quite possibly a leading role to play in the inclusion of innovative policy commitments in several aspects of government strategy.

The critics of the CPRGS – mainly from some within the INGO sector but also from some donors – charge that this was a fairly superficial form of citizen engagement. They note that it involved consulting the poor, in a small number of sample sites, for their reactions on a draft document, rather than soliciting their suggestions at the beginning of the drafting process, or asking open questions about what was needed. Some argue that, in order to increase the legitimacy of the exercise in the eyes of GoV policymakers, it would have been better to have sought consultations with poor citizens through the mass organisations, as either an alternative or a complement to the PPA-style consultations that were carried out.

The real question, it seems, is whether this example of grassroots consultation on national poverty reduction strategy will result in a long-term opening up of the policy process to Vietnamese citizens. As with the involvement of NGOs, it is important to assess the political impact of the CPRGS grassroots consultations in terms of what is realistic within the contemporary structure of Vietnamese politics. The concept of government consulting directly with citizens about policy options outside the structured and relatively comfortable format of the mass organisations is still innovative. Some of those government actors interviewed in October 2002 expressed a conventionally sceptical attitude to the concept of participatory policy development: although the poor might be able to provide useful information about their problems and experience of poverty, it was argued, they were ill equipped to comment on complex issues of government strategy or policy development. The reality of this resistance to the idea of direct consultation needs to be acknowledged. However, there does seem to be evidence that attitudes are changing within pockets of government, and that this could provide the foundation upon which it might be possible to build broader and more systematic systems for consultations on policy development and/or participatory evaluation of policy implementation.<sup>67</sup>

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<sup>67</sup> Some of the groundwork for the concept of participatory or consultative policy development was laid with the PPAs of 1999 (Turk 2000). The CPRGS grassroots consultations can be seen as building on this, and potentially establishing a process which will see a slow but steady expansion in the role of direct consultation in the policy process.

#### 4.4 The CPRGS process and political competition

Rather than defining differences between parties, political competition in one-party Vietnam is manifested largely as defining factions within the cross-cutting parallel structures of the CPV and the government.<sup>68</sup> This section will first elaborate on the nature of political competition in Vietnam before going on to discuss the (rather scanty) evidence for interaction between the CPRGS drafting process and the ongoing tectonic shifts in power within Vietnamese politics.

##### *The nature of political competition*

The process of political competition in Vietnam – that is, the shifting composition of different CPV factions, and the arenas and processes that define the ascendancy of one faction over another at any given time – is largely opaque to outsiders. Another way of stating this is to say that it is the distribution of power in Vietnamese politics that is largely opaque to outsiders, who may understand the broad principles at work but have a poor understanding of the true sources of individual and group power and how they are deployed at any given time.

It is possible to distinguish both ideological and narrow-interest-based points on the trajectory of political competition within the Party-state. At a collective level, the CPV has recognised the need for reform of one kind or another since the early 1980s. Political competition in Vietnam is thus typically characterised as being between ‘reform’ or ‘government bloc’ versus ‘conservative’ or ‘party bloc’ groupings within the CPV. The conservative bloc is concerned that economic liberalisation exposes Vietnam to the risks of world markets, and potentially erodes Vietnam’s national sovereignty: they have taken the post-1997 Asian crisis as evidence endorsing this perspective. They are also concerned that the reform process has contributed to the rise of ‘social evils’: corruption, prostitution, drug abuse and so on. At a more prosaic level, conservatism reflects a fear that reform threatens individual and institutional interests: for example, SOE reform removes much of the resource and power base of the line ministries to which the SOEs are attached.

The more reform-oriented elements of the Party, by contrast, believe that there is a need for further economic liberalisation, greater freedom for the private sector, and increased separation of Party and state if the Party is to retain its legitimacy and succeed in steering Vietnam to greater prosperity and security. In a supposedly secret memorandum of August 1995, the then-PM, Vo Van Kiet, argued for the Party to withdraw from day-to-day involvement in government, and for the privatisation of SOEs. Some senior military figures have also called for greater political openness, although a defence White Paper of 1998 (which rejected the depoliticisation of the armed forces) and the expulsion of General Tran Do from the Party in early 1999 signalled the limits to tolerance of internal critiques from this quarter.<sup>69</sup> Overall, however, the reform grouping appears to be dominant, as seen in the replacement of the conservative Le Kha Phieu with the more moderate Nong Duc Manh as Party General Secretary.<sup>70</sup>

In addition to the political competition playing out within the fora of the Party, the representative organisations of the state have begun to show more independence of the Party and its leadership. It has already been mentioned that the National Assembly has on a few notable occasions in recent years voted against policies put forward by the leadership. The Office of the National Assembly is keen to acquire the resources and training required to enable it to provide NA members with the expert advice necessary to perform their legislative function.

68 e.g. Gray notes that ‘Outright protest against the regime is very rare, however, and it remains more fruitful to look *within* the state for evidence of political debate and struggle’ (1999: 697).

69 See Tran Do’s obituary: [http://www.economist.com/displayStory.cfm?story\\_id=1280571](http://www.economist.com/displayStory.cfm?story_id=1280571).

70 It is important to note, however, that the reformists are *not* campaigning for political pluralism in the form of multiparty politics.

Political competition is also manifested, albeit in somewhat subterranean ways, at sub-national scales. This plays out at a number of levels. First, there is a real but highly sublimated ongoing tension between the North and South of the country. Given that Vietnam suffered over 20 years of armed struggle to reunite the country, this tension is highly political and so goes largely unremarked; nevertheless, it does have some currency, in terms of southern resentment of northern political domination, and northern ambiguity about the political implications of southern economic dynamism. Secondly, there are early signs of the emergence of new forms of political competition at the micro-level. The CPV still has the monopoly on explicitly political forms of organisation, but has had to relinquish the revolutionary ideal whereby all social groupings are encompassed within the CPV sphere of influence and oriented towards supporting the political goals of the Party-state. Thus, while the CPV-affiliated mass organisations remain the largest and most dominant of ‘social’ groupings,<sup>71</sup> new social organisations (such as the Elderly Women’s Buddhist Association or the highly contentious Club of Former Resistance Fighters) are emerging; pre-socialist social identities (e.g. local lineages) are starting to acquire social importance and organisational form again; groupings of entrepreneurs and businesses are emerging as a new source of power outside the Party-state system. These emergent or re-emergent social identities have come to have some political influence, affecting, for example, the course of local government or Party elections.<sup>72</sup>

It is also important to note that although incidents of rural unrest, such as those in Thai Binh in May 1997 and in the Central Highlands in early 2001 (see Section 3.1 above), may lie outside the structure of legitimised politics, they do help to frame processes of political competition. These protests are important insofar as i) they alarm the political leadership and influence the way political actors perceive the risks and rewards of economic and political change; and ii) they are interpreted in different ways by reform and conservative groupings in the Party, who come to different conclusions as to what should be the appropriate government response (in both the short term and the long term).<sup>73</sup>

### *The CPRGS, issue-based debate and political competition*

It is hard to say whether the CPRGS process has affected either i) the specific subject matter and balance of power that define current manifestations of political competition, or ii) the creeping trend towards the opening up of political arenas to new actors; it is probably easier to say how the political stage might be affected in the future by the policies proposed in the CPRGS. The CPRGS does make a modest contribution to the extension of political competition, through its re-endorsement of existing initiatives.

In many countries, donors and NGOs hope that the CPRGS process will help to change the nature of political competition away from a system that mobilises groups along lines of ethnic or religious difference or short-term political patronage. In Vietnam, this concern with the transition to a ‘modern’, issue-based political discourse is less relevant: the SRV has always placed principles of poverty and equality at the centre of its political discourse.<sup>74</sup> The shift that is required in Vietnam is

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71 Thomas (2001) asserts that the mass organisations are ‘now crumbling’: it is not clear that this is the case, although some clearly retain more relevance and legitimacy than others.

72 Malarney (1997).

73 As discussed above in the context of accountability, the most notable effect of these events is perhaps that the Thai Binh disturbances contributed to the formulation of the Grassroots Democracy Decree (GDD) which, in the long term, has the potential to increase the level and change the nature of political competition.

74 Thus, to take one example, while ethnic relations in Vietnam are not without problems as seen in the targeting of the Chinese population during the anti-capitalist campaigns of the late 1970s, or more recently in the Central Highlands, the relationship between the Kinh majority and non-Kinh minorities, along with the role of the state in mediating these relationships, is far healthier than in many countries. Commentators have different perspectives on the Vietnamese state’s treatment of ethnic minorities, but Jamieson (2000) makes a good case that ‘ethnic minorities in Vietnam have enjoyed better legal and political status than minority groups have



thus not, at any overarching level, a shift from a patronage or identity-based mode of political competition to one based on issues and horizontal mobilisation. Rather, it is the framing of the issues that needs to change. As the state implicitly adopts a mixed economy, and increasingly explicitly emphasises the pre-eminent importance of rapid economic growth (to a degree which sometimes discomforts the World Bank), the ideological rhetoric within which issue-based politics is framed can appear in some respects increasingly anachronistic.

#### 4.5 Political ownership of the PRSP process

Observers of the Vietnam PRSP vary considerably in their interpretation of the degree to which it can be regarded as owned by the Vietnamese government. Critics who claim that ownership is weak cite the following facts:

- The government had already produced its own medium and long-term strategies (particularly the Ten-Year Socio-Economic Development Strategy and the Five-Year Plan), which were presented at the Ninth Party Congress and, as such, are much more deeply embedded in the political system. Some critics of the CPRGS argue (perhaps not realistically) that if the Bank and Fund wanted to tie their lending to a genuinely nationally owned document, they should have accepted these GoV documents as the basis for lending.
- Unlike the strategy documents produced for the Ninth Party Congress, the CPRGS was not debated in the National Assembly (which has admittedly limited power, but which is nonetheless a necessary factor in signing off important policy changes). A draft was circulated to the Economic and Budget Committee of the Assembly for comments, individual members have been involved in many of the consultation exercises, and MPI plans to distribute the approved document widely (including to NA members and the provinces). Nonetheless, the fact that the CPRGS has not and apparently will not be the subject of a dedicated debate in the National Assembly is a major weakness, rightly highlighted by the JSA.
- Knowledge of the CPRGS is somewhat shallow, with limited engagement of officials within ministries, and very limited engagement of provincial or sub-provincial political actors. As a result, there is good reason to doubt the extent of buy-in that can be assumed. The ministerial delegates to the drafting committee were in many cases quite junior, resulting in only minor engagement of the departments and individuals truly important in making sectoral policy. When there is ministerial buy-in, it is often confined to a small group of reformers within the ministry in question.
- The Public Investment Programme (PIP) – produced, after the publication of the CPRGS, by the same department of the same ministry that produced the CPRGS – implies a pattern of resource allocation that is fundamentally different to that implied in the CPRGS and that shows no sign of the prioritisation of public expenditures which was signalled, albeit in a preliminary and underdeveloped form, in the CPRGS.

Those who argue that there is significant ownership would draw attention to the fact that the CPRGS and the 2001 strategy and planning documents do not fundamentally contradict each other. The CPRGS picks selected goals from the long list of aspirations contained in the SEDS and Five-Year Plan, prioritises these and gives these priorities more concrete form, setting them against a timetable for achievement and a (rough) estimation of the resources required. It also contains a

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in many countries in the region, or around the world' (7–8) with the 1992 Constitution and CPV policy containing explicit rights and protections for ethnic minority groups. This long-standing and high-level commitment is not always enough to prevent either misguided or exploitative treatment of minority groups by local governments, but it does provide an underpinning of checks that should help to prevent such mistakes or abuses, and to correct them when they do occur. It is worth noting that the General Secretary of the CPV elected in 2001 (Nong Duc Manh) is from an ethnic minority group: while this is not irrelevant (Abuza notes that his not being ethnic Vietnamese 'is seen as a liability'), neither has it prevented him from acceding to one of the three most powerful posts in the country.

number of policies with which the IFIs and donors are deeply uncomfortable but which the government feels are important to its medium-term vision of development.

Those who are optimistic about the level of ownership also point to the fact that Vietnam opted into the PRSP process on its own initiative. Ownership issues in Vietnam are slightly different from those found in highly indebted or highly aid-dependent countries which constitute the majority of candidates for debt relief and PRSC, PRGF and other concessional lending. Vietnam's decision to submit a PRSP is motivated less by a need for immediate relief from a pressing debt burden, and more by a desire to obtain access over the long term to concessional lending (and, to a certain extent, grants – from those grant-making donors who want to tie future ODA to a PRSP). The promise of access to concessional finance still provides a powerful incentive to produce a document acceptable to the IFIs, but the freedom from a national debt problem and the generally lower than average aid dependency have meant that the Bank and the Fund had less leverage on the process, and made it more likely that the process and outcome would more closely conform to the PRSP ideal of country ownership.<sup>75</sup> That the Vietnamese government, after initial scepticism, embraced the idea of writing a PRSP was in large part because they wished to obtain access to additional development financing; it was also, however, in significant part because they were persuaded by Bank and Fund staff and others that there was some genuine commitment to the rhetoric of country ownership, and that the PRSP process would, through donor assistance to strengthening the analytical base and monitoring structure, add something to existing or already planned GoV strategy documents.

Having decided to embark on the preparation of a PRSP, the government was determined to cast the analysis and prescriptions in terms with which it felt comfortable. This was seen most clearly in the strength of the expression of faith in the role of economic growth as the motor of poverty reduction.

At a very fundamental level, then, there is a case to argue that there is strong government ownership of the CPRGS. The document that the GoV has submitted as its PRSP is a summary and refinement of documents – a Five-Year plan, Ten-Year Socio-Economic Development Strategy (SEDS) and 20-year vision – that the government began to prepare in 2000 for its own ends and on its own political timetable (for the Ninth Party Congress in spring 2001), i.e. independently of donor influence. Although the PRSP represents the outcome of a fairly intense period of negotiation between government and donors, and despite the fact that it clearly incorporates elements which reflect more clearly the collective donor and INGO development vision than was the case in pre-existing strategy documents, it is nonetheless at heart a GoV document.<sup>76</sup>

The commitment to country ownership inevitably brought dilemmas for donors. Dennis de Tray, until 2001 the IMF representative in Hanoi, wrote a short account of the process leading up to the completion of the I-PRSP.<sup>77</sup> He argues that the I-PRSP drafting team initially welcomed but in the end largely ignored Bank and Fund advice on how the PRSP should look. De Tray (2001) traces the reluctance to adopt this advice to differing policy traditions: the GoV has a tradition of policy documents which are largely about a political vision of future outcomes, 'unfettered' by detailed analysis of linkages, whereas IFI 'analytic and economic' documents present a detailed exploration of links between problems, objectives and instruments, within a context of resource constraints.

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75 See Wolff (2002: 1). Vietnam has in the past proved itself unwilling to put its name to policies it does not believe in, to the extent of turning down significant loans when they are on terms that the government finds objectionable (e.g. the proposed ADB health loan of the late 1990s).

76 Note, for example, that what the PRSP says or does not say with regard to state-owned enterprises and the state monopoly on the financial sector is very different from what the IFIs would like to have seen in the document. In contrast with many other countries, the MPI-led drafting process was led by the government, with partners restricted to providing comments on drafts.

77 de Tray (2001).

He concludes that while the IFIs did have some impact on the document,<sup>78</sup> this influence was limited and left the IFIs and donors with a dilemma: ‘In the end, the Bank and Fund opted to emphasize government ownership over product quality’. Wolff, reviewing the subsequent process and the resulting full-PRSP outcome fourteen months later in July 2002, comes to much the same conclusion. The CPRGS final draft is described as ‘less than perfect’ and reflecting ‘a great deal of inconsistencies and compromise formula typical for the state of policymaking in Vietnam’. Despite this, the IFIs and donors have ‘reluctantly’ accepted the paper,

...realizing that it reflects the current state of political thinking in leading circles of the Communist Party and the GoV...[and accepting that] despite the inefficiencies and political downsides of the Vietnamese development model, it might still be able to produce about 5% of GDP growth per year and a considerable degree of further poverty reduction.

Wolff argues that the IFIs decision to gamble on a PRSP that they see as technically flawed also reflects a recognition that Party and government positions have been changing slowly but steadily over the years and that ‘donors can be confident, therefore, that the positions of the Vietnamese side will further evolve during the implementation of the PRSP’.

This is not to say that ownership is unproblematic. Unpacking ownership suggests an uneven commitment to the policies included in the CPRGS. Wolff notes that ‘There are various degrees of ownership [of the PRSP] in the government and the Party, differing by administrative levels, by ministries and by policy area’.<sup>79</sup> The ownership and commitment of the provinces in particular will be critical, given that provinces have considerable power to determine their own policies and public expenditure priorities. The JSA notes that it is as yet too early to assess the level of commitment at the sub-national levels.<sup>80</sup>

## **4.6 Politics of resource allocation: political change, budget reform and the CPRGS**

### *The political context: đổi mới and public expenditure reform*

Budget reform has started to receive more attention within the government’s own reform programme, but only relatively recently. GoV officials will acknowledge some of the shortcomings of the current system of public revenue and expenditure management, and of the way these intersect with strategy and planning processes; however, many do not seem to share the view of development partners (both IFIs and most bilaterals) that fundamental structural transformation of these systems must be one of the top priorities of the government (see Box 4.2).

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78 de Tray recommends comparison of the final I-PRSP with ‘pure’ GoV strategy documents, such as the Ten-Year SEDS or the MOLISA Comprehensive Poverty Reduction Paper, or early drafts of the I-PRSP, to illustrate the influence of IFI staff. Interestingly, Vietnamese NGO observers (who were broadly positive about the CPRGS) noted that the layout of the CPRGS was very international and not Vietnamese documentary style.

79 Wolff (2002: 4).

80 IMF and IDA (2002: 5).

#### **Box 4.2 The limitations of GoV PEM: selected aspects**

Responsibility for expenditure is divided institutionally, with MPI responsible for capital expenditure and MoF responsible for recurrent expenditure. Both revenue and expenditure management systems are complex, and the government itself does not fully understand what is going on – and is therefore not in full control. Per capita expenditures (total and by sector) vary greatly between provinces and sub-provincial levels, as i) much of the total provincial expenditure in rich provinces (as much as 80%) is raised at provincial level or below and ii) provinces have considerable discretion in interpretation of laws and decrees, and therefore in allocation of revenue (including that obtained from the centre). Five-Year-Plan and budgetary data or forecasts have not been systematically linked; different classification systems are used for releases and actual expenditures; and budget data is highly aggregated and is estimated to cover at best only 75% of *de facto* government budget transaction (the budget does not, for example, include either several off-budget accounts or the financial transactions between the SOEs and the state banking sector, which amount to future liabilities against the public sector).

In part, donor efforts to generate an impetus behind PEM reform is constrained by a lingering Vietnamese sentiment that budget processes are an issue of state sovereignty that should not be of concern to non-Vietnamese. Until 1999, the budget was a state secret: although the government has opened up under pressure from outsiders (including from ‘like-minded’ donors interested in the possibilities of SWAps and budget support), the availability of budget data is still extremely limited. There has been some progress towards more openness: there have been two PERs, the first (1996) technically good but failing to engage the government, the second (2000) deliberately designed in a participatory manner in order to draw in MPI and MoF officials, with some degree of self-censorship accepted as a price worth paying.<sup>81</sup> The Budget Department of MoF is regarded as capable and dynamic, and the basic configuration of the budget is now published on the MoF website. Most importantly, the new Budget Law provides a number of important improvements: the process of implementation will take some time, but it has begun, with recent approval given for a project to introduce treasury accounting systems that will allow much more fine-grained tracking of expenditure patterns.

#### *Costing the CPRGS*

Linkages between the CPRGS and the budget process are not particularly well developed. Prioritisation and costing of actions only appeared in any detail in the fourth draft,<sup>82</sup> and the fifth section in the final document (on resourcing the CPRGS) remains somewhat confused, reflecting its origins in two separate costing exercises drawing on different approaches. The first two parts of the section relate costs to the Five-Year Plan (2001–05); the third part attempts to estimate overall medium-term expenditure requirements and then expenditures for selected priority sectors for 2003–05. The second costing exercise, which gave rise to the third part, was conducted over the space of a few weeks, at a very late stage in the CPRGS drafting process and at the behest of the World Bank: it only partially displaced the previous, largely incremental costing exercise that had existed in the previous draft.

This confusion and lack of rigour in the costing of the CPRGS was one of the key criticisms in the JSA, which noted that in the absence of an MTEF ‘the preliminary costing of policy actions in the CPRGS represents significant progress’ but that ‘the section falls short of providing a comprehensive and prioritized costing and a considerable amount of work is still needed’. The IFIs note that it is ‘critical’ that Vietnam improve its PEMS, notably by developing multi-year

<sup>81</sup> The second PEM was agreed as a condition for the US\$2 billion in aid committed by donors at the CG in June 1999.

<sup>82</sup> Wolff *et al.* (2002: 43).

budgeting, by better integrating budget processes, and by allocating the State Treasury the primary responsibility for controlling budget outflows.<sup>83</sup>

However, progress since the CPRGS was signed in August has been at best ambiguous. The new Public Investment Programme (PIP) for 2001–05 was prepared shortly afterwards, by the same department within MPI that had been responsible for leading the preparation of the CPRGS: ominously, the PIP suggests a pattern of resource allocation (with much more going to tertiary health and education, for example) which is quite at odds with the expenditure patterns implied in Section Five of the CPRGS. This changed only slightly in subsequent iterations of the PIP (e.g. as discussed with donors and provinces on 18 November 2002) before being signed by the Prime Minister in December. Essentially, the government still approaches the PIP as a compendium of discrete investment projects which displays little sense of prioritisation,<sup>84</sup> and this will change only slowly.

It has yet to be seen how serious a blow this is for the credibility of the CPRGS. It is debateable how realistic it is to expect the CPRGS alone to reform Vietnamese public expenditure. As in other countries (including those producing PRSPs), the budget in Vietnam involves a complex set of institutional practices and relations and, inevitably, considerable inertia.<sup>85</sup> For the PIP to evolve beyond its current status as a compendium of projects will involve a complex of related changes, including a changing relationship between MoF and MPI, consolidation of the investment and recurrent budgets, and so on. In the absence of a fundamental crisis manifestly attributable to these kinds of structural problems in the public expenditure management system, it is perhaps unreasonable to have expected that the CPRGS could have resolved this issue, especially given the (government-led) pressure to complete the drafting process to an ambitious timetable. As it is, the logic of providing compatibility with the priorities expressed in the CPRGS *may* provide one more point of leverage for those hoping to improve the PIP and public expenditure management more generally.

In the second half of 2002, discussions began on the development of sectoral MTEFs, which donors hoped would lead eventually an overall MTEF. The MPI website report on the CG meeting of December 2002 duly notes the donor requests for progress on a clearer linkage between the PIP and CPRGS, and for MTEFs at both sectoral and national levels to improve ‘investment efficiency’: it is not clear when and how the PIP will be revisited in order to address these donor concerns.<sup>86</sup>

### *The location of CPRGS management and links to PEM reform*

Management of CPRGS implementation is vested in a cross-ministerial committee co-chaired by MPI and the State Bank of Vietnam (SBV). SBV is included as the official partner of donors in terms of concessional lending, although it is very much the junior GoV partner, with much less political weight than MPI. A GoV push for PEM reform would be with these institutions (and MoF); as none of these is particularly active in pushing PEM reform, the linkage is largely at the stage of potential rather than immediate value. The IFIs and other donors continue to invest considerable effort in working with these bodies for PEM reform, but in the realistic understanding that progress is going to take time.

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83 IMF and IDA (2002: 10).

84 One IFI observer described it as a ‘stapling together of project proposals’.

85 To caricature, the difference between PEM in Vietnam relative to many other low-income countries is that i) it is, as mentioned before, peculiarly untransparent, which means that those outside government and even many *within* government do not know what the system looks like in its totality; yet ii) it does give the impression of being more thoroughly institutionalised – that is, determined by established practices and principles with a reasonable degree of predictability, rather than subject to major swings in total resource availability and allocation of resources between sectors.

86 See <http://www.mpi-oda.gov.vn/English/BantinODA/Bantin.asp>.

### *Stakeholder perceptions of CPRGS-PEMR linkages*

Donors and INGOs alike perceive the weakness of the link between the CPRGS and PEM reform – manifested most clearly the mismatch between the resource section of the CPRGS and the subsequent PIP - as a serious problem. This view is shared by some, but not many, on the GoV side. Donors and INGOs are divided as to whether they see this inconsistency as rendering the CPRGS fundamentally worthless, or merely as a serious problem which should nevertheless not distract from the achievements of the CPRGS (namely in prodding GoV in the direction of inter-ministerial coordination in policymaking, in floating the idea of consultation in policy development, and – even if only marginally, and at the start of the process – in introducing the concept of prioritised and resource-constrained policymaking and planning).

### *Budget transparency and budget advocacy processes*

As mentioned above, there is very limited budget transparency, which exacerbates the difficulties in working with a PEM system that is (as described in Box 4.2 above) extremely complex, such that many Vietnamese officials are themselves unclear about how the system works in its totality. There is, however, little evidence of domestic advocacy for reform or clarification of budgetary processes, related in part to the lack of a fully autonomous NGO sector or an independent media. Although the CPRGS commits the government to ‘Strengthen the accountability of public authorities, especially local government at all levels, towards the people through increased transparency and publication of local budgets’, it is not clear exactly how this will be achieved.<sup>87</sup> Generally speaking, there is far greater domestic political support for the goal of *local* PEM transparency (as mandated under the Grassroots Democracy Decree), but only limited interest in clarifying or rationalising the system above this level.

### *Decentralisation, PEMR and the CPRGS*

Administrative and fiscal decentralisation is regarded with reasonable enthusiasm by GoV, but political decentralisation is not. Overall, there are considerable moves in the direction of decentralisation but these are not captured under a coherent decentralisation policy. The linkage with PEM reform is strongly made on the donor side, but ambiguous on the GoV side.

Further (fiscal and administrative) decentralisation is obviously in the general interest of the provinces but also largely accepted as necessary by central government too. The way it has occurred to date favours the richer provinces in particular. Poor provinces may get slightly greater control but less overall funds; more importantly, poor sub-provincial levels (districts and communes) probably lose out. These effects have been offset somewhat by the national programme (Programme 135) of geographically targeted funds for basic infrastructure development, which has brought some gains to the some 2,000 communes designated as poor or as facing especially difficult circumstances. Many donors, however, have long-standing concerns about the accuracy of the targeting criteria and the efficiency of the programme in reducing poverty, and thus about its effectiveness as a method of compensating poorer localities.

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87 SRV (2002: 7).

## 5. Donors and the CPRGS

### 5.1 Donor influence upon the CPRGS process

Donors have clearly influenced the CPRGS. To start with, the process was framed within an understanding that a paper acceptable to the donors is required in order to obtain access to conditional lending (and, arguably, grants, given that a number of bilaterals stated their intention to align part or all of their aid with the policies of the CPRGS). With a few exceptions, whatever content in the CPRGS differs from that which is contained within the Five-Year Plans and Ten-Year Strategies can be attributed to a greater or lesser extent to donors, either as something they lobbied for directly to have included or changed, or as something they helped innovative elements within line ministries to bring to the fore. Donors were also the driving force behind the grassroots and regional consultations, which the government went along with to a considerable degree and which exercised some influence on the CPRGS content (see Section 4.3 above).

One of the most significant ways in which donors can be seen to have influenced the evolution of GoV poverty policy within and around the CPRGS is in the location of institutional responsibility for poverty reduction. Prior to the CPRGS, ‘poverty reduction’ was largely interpreted in GoV policy circles in terms of targeted programmes to assist specific categories of individuals or communes, most of which were drawn together under the framework of the Hunger Eradication and Poverty Reduction (HEPR) programme. Poverty reduction defined in this way mainly fell within the remit of the Ministry of Labour, Invalids and Social Affairs (MOLISA), which many donors felt relied on a very narrow conceptualisation of poverty and of what constituted policy for poverty reduction. The PRSP concept, and its association with the idea that ministries of Finance and/or Planning should take the lead role in co-ordinating resource-bound, medium-term, prioritised national policymaking, planning and public expenditure management for poverty reduction, in effect amounted to a considerable redefinition of the role of MOLISA, which many in the ministry interpreted as a downgrading of their importance. This led to MOLISA withdrawing to a large extent from the CPRGS process for a considerable period, before re-engaging towards the end. On paper, and in a number of conversations between senior MOLISA officials and counterparts in donor organisations, it seems that MOLISA has now accepted the need to rethink its role in poverty reduction within the mixed economy. The signals are still somewhat mixed, however, and it will take a while for these gains to be consolidated.

However, the effort by the World Bank, other donors and some of the INGOs to use the work on localising the MDGs (i.e. translating them into Vietnamese development targets) as a way of introducing policy innovations was only partially successful. Although the debates generated among donors, NGOs and GoV actors during the production of the VDG papers helped (along with other influences) to introduce some new policy ideas into the final CPRGS, the government appears to have preserved room for manoeuvre by resisting the wholesale endorsement of the papers.

Debate on CPRGS content within ministries was largely closed to donors. In favour of the argument that donor influence, while present, was not distorting, it is worth noting that while there were dozens of drafts, only four were translated into English: although the language of the text does not correlate exactly with the intended audience (a number of donors were able to and did comment on Vietnamese-language drafts), it serves to underscore that the bulk of the debate was conducted in Vietnamese, among Vietnamese stakeholders.<sup>88</sup> Donors became involved in internal ministry debates on the PRSP process when they enjoyed good relations with reformist or innovative elements within a ministry, and were able to work with and support these individuals (either against

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<sup>88</sup> Vietnam thus stands in contrast to a number of other countries (including Cambodia, to take a regional example) in which a donor-led PRSP has been drafted in English and only intermittently translated into the national language, making it largely inaccessible to non-English-speaking national policy actors.

more conservative elements within their own ministry, and/or sometimes against the MPI, which was not inherently conservative but preferred for protocol and speed to work with the officially designated line ministry representatives to the CPRGS drafting committee, who were often less innovative).

The degree to which donors will be able to influence the implementation stage of the CPRGS process remains to be seen. The implementation committee – co-chaired by MPI and the State Bank of Vietnam (SBV) – was only formed in October 2002 and it will be some time before other stakeholders can make a balanced assessment of the strengths and weaknesses of these arrangements.

## 5.2 Donor engagement with the politics of the CPRGS

There has not been a great deal in the way of politics around the CPRGS with which donors might engage, if politics is understood to mean in this context open debate between senior figures. To the extent that there have been sublimated politics around CPRGS debates in the form of debates within and among some of the ministries about how the five- and ten-year policies should be translated into the CPRGS – then donors *have* been involved (for example, in backing more open-minded thinkers within MARD).

As with the effects of the CPRGS process upon relations among components of the government of Vietnam, so too the effects on relationships within the donor community are hard to interpret. Since the World Bank first opened a full country office in Vietnam in 1997 it has come to play a key role, and not merely by virtue of the size of its programme. The Bank, with a particularly fortuitous combination of staff including, most notably, an innovative country director, pursued an active and open agenda of donor coordination and support to government reform action. Vietnam was chosen (at the government's request, with encouragement from the Bank country office) as a pilot country for the Comprehensive Development Framework (CDF) approach. Known more commonly in Vietnam as the 'partnership approach', this laid much of the groundwork (in terms of structures and processes for dialogue, and in terms of building trust) for the CPRGS. Most notably, this process established the Poverty Working Group (PWG). This was a government-donor-NGO grouping which provided the locus for a broadly shared approach to strategic, research-based approaches to policy change.

At the same time, there has been a danger that other donors have come to feel marginalised by the World Bank-led burst of activity since 1999. The net effect here is rather contradictory. On the one hand, the PWG and associated innovations with regard to donor coordination and donor-government dialogue have probably served to raise the profile of all donors with government policymakers. However, within this more elevated plane of policy debate, there is no doubt that the World Bank has come to be the lead actor on many issues, a fact that implies a slight diminution of influence for other actors such as UNDP or Sida (although this is not necessarily a result only of the CPRGS process).<sup>89</sup>

## 5.3 The CPRGS and donor reform

Although the focus of this research is upon how domestic Vietnamese politics have shaped and been shaped by the PRSP process, it is important to note that the production and implementation of the CPRGS has influenced the ways in which donors interact with the Vietnamese government –

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<sup>89</sup> Norlund *et al.* (2003).



influences which, by changing the incentives faced by different institutional actors within Vietnam, are in their own way part of Vietnamese politics. As described above, since the late 1990s, a number of donors have attempted to improve the coordination of aid, an effort which evolved into a focus upon harmonisation of donor procedures with GoV systems (see Section 3.1). The CPRGS has made a significant contribution to this process, consolidating gains made to date and increasing the pressure on donors to align their systems under Vietnamese ownership.<sup>90</sup> This will in effect increase the power of some parts of the state *vis-à-vis* others that have previously benefited from the proliferation of donor projects.

## 5.4 Donor willingness to transfer accountability

The willingness of donors to surrender detailed demands for accountability to themselves in return for greater accountability to citizens is inherently complex and potentially contradictory. This is perhaps more than usually true in the context of one-party politics in Vietnam, where – as described above – mechanisms that might hold national policymakers accountable to the population are largely indirect and sometimes ineffective. In the absence of a more diversified and empowered National Assembly, it is not clear whether accountability to citizens will fill the gap left if donors give up control. Rather, the same donors that are currently engaged in an effort to push reforms favouring poverty reduction goals – and exercising largely conventional donor claims for accountability – are generally the same ones who are pushing for greater citizen accountability. This is not to say that donor requirements are not onerous, but simply that increasing formal accountability to citizens will be limited and constrained for the foreseeable future. In this context, the reform of donor accountability requirements is largely in the form of greater harmonisation and coordination of donor accountability requirements between donors, rather than in the transfer of accountability to citizens.<sup>91</sup>

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90 A review of the harmonisation agenda by the Like-Minded Donor Group (LMDG) lays out the relationship as follows: ‘The quest for improved aid effectiveness cannot be separated from the policy context of a country...Harmonisation must therefore be located within the context of a strategic development framework. The CPRGS and Law on ODA (Decree 17) provide such a framework in Vietnam’ (LMDG 2003: 1).

91 On this question of the relationship between accountability of government to donors on the one side and accountability to citizens on the other, see Lawson *et al.* who argue in the context of general budget support that ‘the interactions between external and domestic accountability are probably not a zero-sum game. Depending on its form, an increase in accountability to donors might be quite favourable to growing domestic accountability, helping this to become strengthened at the same time’ (Lawson *et al.* 2002: 46).

## 6. Conclusion

Vietnam has enjoyed spectacular success in reducing poverty over the last decade. Although the patterns observed (in terms of which social groups enjoyed what rates of change) depend somewhat on the definition and measure of poverty used, the overall trend, whether defined in terms of assets, nutrition, or people's perceptions of their quality of life, confirms that a strikingly large percentage of the population escaped poverty over the course of the 1990s.

Attributing Vietnamese success in poverty reduction to particular policies is complex. Economic liberalisation policies that began in the late 1980s with the decollectivisation of agriculture generated rapid, sustained and broadly distributed economic growth, raising the incomes of millions. However, liberalisation policies were preceded by at least a decade (and, in the North, three decades) of socialist policies focusing on primary education and healthcare. Furthermore, the retreat from collectivisation was managed in such a way that households in the rural majority received roughly equal stakes in the newly liberalised economy (through equitable patterns of land allocation during decollectivisation). It thus seems that the Vietnamese success story is one of a sequencing or layering of policies, with egalitarian asset distribution and state-led human development establishing a set of initial conditions within which subsequent market-led economic growth could be both rapid and poverty-reducing.

The gains from post-1986 reforms have been spectacular but have arguably run their course, presenting the government (and its partners) with a new generation of more technically and perhaps even more politically complex policy reform issues. There is a widely shared sense that the government of Vietnam is now facing something of an impasse. The senior leadership and those in research and policy bodies within government share the perception, common among donor and INGO staff, that something new is needed, but do not appear to have decided what this is. The IFIs and most donors see it as essential that the government address PEM and the inter-linked problems of SOE and banking sector reforms (described by an IFI official as the 'evil twins' of the contemporary reform agenda): this will be politically challenging for the government, as they are deeply embedded within the complex political economy of state and Party institutional relations. Various aspects of the public administration reform programme, while progressing slowly, are mutually reinforcing and are gradually changing the distribution and nature of power within the Party-state in ways that will be hard to reverse.<sup>92</sup>

At a more nebulous level, the opening up of Vietnamese society to a broader range of influences and resources, from telephone and internet communications, donor and NGO assistance, foreign investment (including that of the Viet Khieu, or overseas Vietnamese), and even simply greater opportunities for internal travel, all serve to create more long-term possibilities for what might be considered as legitimate social, economic and even political arrangements. Periodic crackdowns notwithstanding, the government seems to acknowledge implicitly that it cannot stem all of these forces, and will need to cede some authority in order to retain legitimacy.<sup>93</sup>

At present, key government actors appear to see the risks entailed in embarking on dramatic reform as being finely balanced against the risks entailed in inaction, or in taking only cautious action. It is not quite clear what it will take to convince these individuals or institutions of the need for fundamental change. It may be that this gradualist approach, 'feeling one's way across the river', is indeed the correct path. The pessimistic scenario is that the need for faster and more fundamental reform is more pressing than the government believes, and that it will take another crisis, such as that of the late 1970s and early 1980s, to provide the impetus to reform systems which, if manifestly

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92 Painter (2002).

93 Koh (2001).

not as effective as they could be, have their own logic and strong resistance to change and are not, currently, at crisis point.

The role of the CPRGS within these long-term dynamics of change or inertia is hard to assess. A balanced assessment of the CPRGS is probably closer to the (albeit rather modest) claims of the optimists, rather than the picture painted by those among the sceptics who argue that the CPRGS has so little value as to be worthless. The CPRGS, like most actually existing PRSP documents, falls considerably short of the PRSP ideal. In this case, the overriding strength is that it does appear to be genuinely owned by the government at a senior level (which comes with the cost that the IFIs and donors must learn to live with and work with what they regard as serious flaws in the strategy). The weakness (leaving aside issues of content) is that, at the government's insistence, it was completed on a very tight schedule, which left limited opportunity for either breadth or depth of involvement of national stakeholders.

In this light, the linkage between the CPRGS and the truly indigenous Vietnamese strategy documents produced for the Ninth Party Congress in 2001 is both its greatest strength and its greatest weakness. On the one hand, the fact that it is a distillation of what were discussed and agreed during the drafting process to be the priority actions drawn from the Party Congress documents (including those with which external partners do not agree) means that it does have a legitimate claim to be a government document, with good prospects for implementation. On the other hand, actors throughout the Vietnamese policy system are familiar with the format and content of the Five-Year Plans and Ten-Year Strategies and by and large regard them as important and legitimate (in large part because they were involved in the extensive drafting procedure that produced these documents), in a way that by and large they are *not* familiar with the CPRGS (partly because of the accelerated drafting process). This entails the danger that the CPRGS will be seen as an ancillary document, of much less importance than the five and ten-year documents, and as a result will be weakly embedded in ministerial and provincial planning cycles.

Much will depend on the process for implementation over the coming years. The implementation committee, headed by Dr Sinh, began in early 2003 to discuss ideas for CPRGS roll-out workshops 'to help line ministry and local level officials understand the process and contents of socio-economic plans and the CPRGS, and discuss approaches, methodologies and activities in establishing local and sectoral plans and integrating the CPRGS in these', with handbooks and guidelines to be developed and disseminated.<sup>94</sup> Even as early as October 2002, and in the absence of this kind of centrally directed roll-out, some of the more innovative provinces had reportedly picked up on the existence of the CPRGS and were beginning to discuss how to reflect it in their own planning and budgeting cycles.<sup>95</sup> Donors can be expected to play their part by continuing to refer to the CPRGS as the framework for their (increasingly harmonised) aid programmes. If this happens often enough, it may over time confer on the CPRGS a status comparable to that of the policy documents associated with the Ninth Party Congress. In this case, the CPRGS will not have a revolutionary impact, but will, in concert with a broad slew of other trends and initiatives, help to move the Vietnamese policy, planning and budget systems in a direction that will better equip the government of Vietnam to meet the next generation of development challenges.

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94 PTF (2003: 4).

95 Carrie Turk, personal communication.

## Annex 1. List of persons interviewed

<b>Government of Vietnam</b>			
MPI	Mr Tran Quoc Phuong	Expert, General Economic Issues Department	
	Ms Tran Yen Minh	Expert, General Economic Issues Department	
	Ms Hoang Thanh Tam	Expert, General Economic Issues Department	
	Mr Pham Hai	Director, Department. of Local and Regional Economy	
MoF HCM Political Academy	Nguyen Thi Hong Yen Professor Ho Van Long Lun Dat Thuyet Ho Ngoc Minh		
Institute of Sociology	Vu Manh Loi		
MoH MET	Dr Nguyen Dinh Thuong Bui Ngoc Son Tran Van Thanh	Deputy Director, Department of Planning	
MARD	Le Trung Hau	Vice-Director, Settled Agriculture and New Economic Areas Department.	
	Dr Dang Kim Son	Director, Information Center for Agriculture and Rural Development Planning	
	Vu Thu Hong Vu Lan Anh	General Department	
MOLISA	Dr Nguyen Hai Huu Madame Huong		
MOHA	Vu Hoe Ms Hue		
MFA Vietnam National Assembly Office	Tran An Vu Nguyen Si Dung	General Economic Department Director, Center for Information, Library and Research Services	
Office of the government VCCI	Nguyen Quoc Thang Pham Thi Thu Hang Nguyen Xuan Anh	Head of SOE Department	
<b>Ha Tinh Province</b>			
DOLISA	Dao Quang Diem Thong	Deputy Director Deputy Chief, Division, Policy, Labour & Employment Division	
DPI	Tang Nghia	Head of Department of Foreign Relations	
	Tran Nhat Thanh	Deputy Director	

<b>Donors</b>		
DFID	Peter Owen Chris Athayde Richard Edwards Alan Johnson Jane Rintoul Le Nguyet Minh Steve Passingham	Senior Governance Advisor, DFID-SEA Programme Manager, DFID-SEA Social Development Advisor, DFID-SEA Head of Office, Hanoi Senior Institutional Advisor, Hanoi Programme Officer, Hanoi Education Advisor, Hanoi
British Embassy	Jonathan Dunn	Second Secretary
IMF	Susan Adams	Senior Resident Representative
World Bank	Carrie Turk	
WHO	Pascale Broudon	Resident Representative
UNDP	Mr Nguyen Tien Phong	Head, Poverty & Social Development Cluster
Sida	Rolf Samuelson	
SDC	Walter Meyer	
CIDA	Dean Frank	Head of Aid/Counsellor (Development)
Danida	Mikael Winther Anos Jansson	Charge d' Affaires, Danish Embassy
<b>NGOs</b>		
ActionAid	Ramesh Khadka Vu Ngọc Anh	Country Director Manager, Ha Tinh Programme
CRS	Chris Gilson	Country Representative
SCF UK	Bill Tod Phạm Thị Lan	Country Director National Coordinator
CRP	Nguyen Thang	
LERES	Hoang Ngọc Giao	Deputy Director, Senior Faculty Law Department.
Oxfam Belgique	Peter Mol	Country Representative
Oxfam-GB	Than Thị Thiên Hương Mandy Woodhouse	Senior Programme Officer Country Director
RaFH	Madame Nguyen Thị Hoài Duc	Director
<b>Others</b>		
Mekong Consulting	Adam McCarty	Chief Economist

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