



VOLUME II: BACKGROUND REPORT

COUNTRY EVALUATION:
ASSESSMENT OF DEVELOPMENT RESULTS

VIETNAM





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Introduction

This volume of the Viet Nam country evaluation report presents a more detailed analysis of selected subjects covered in the main overview report (Volume 1). It is meant to provide the rationale behind the findings in the main report, as well as to provide additional information for readers interested in one or more specific issues.

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The UNDP programme portfolio

The UNDP programme portfolio demonstrates a consistent focus on governance, poverty and environment, as shown by the projects listed in Table 1 on the following page.

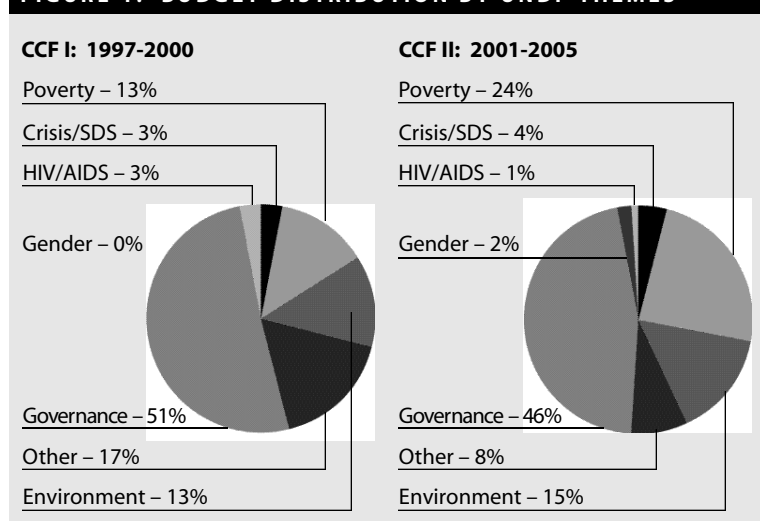
The assistance portfolio shows a greater diversity than is usual for UNDP country offices. The list includes policy pilots in governance (for example, public administration reform in the Ministry of Agriculture and Rural Development) as well as poverty reduction (for instance, local planning systems). There have also been relatively small policy-oriented projects with tremendous leveraging opportunities, most notably in the case of UNDP support for the preparation of the 10-year Socio-economic Development Strategy (SEDS) and the Enterprise Law. Other major initiatives have involved the development of support facilities for administrative and legal reforms that provide a single, coordinated financing channel for interventions, and policy advocacy that goes beyond specific programmes and that is founded on a sustained commitment to research, publication, media outreach and effective, well-timed engagement with the government.

TABLE 1: THEMES AND PROGRAMME BUDGETS, 1997-2006

	Budget (USD)	Total (USD)
GOVERNANCE		
Accountability in the civil service (PAR)	20,675,036	
Public sector financial management	11,175,652	
Access to justice	13,481,203	
Parliamentary structures, systems and processes	10,669,382	
Regulatory reform for private sector development	6,578,323	
Globalization and regional cooperation	5,241,702	
Development planning at the sub-national level	3,338,164	
Promotion of human rights	2,573,574	
Aid coordination and management	1,244,263	74,977,299
POVERTY		
Access to productive resources and assets	23,594,518	
Poverty policies and monitoring	5,926,684	
Agriculture and aquaculture development	4,157,083	
HIV/AIDS	2,692,557	36,370,842
GENDER		
The advancement of women and gender equity	2,863,328	2,863,328
ENVIRONMENT		
Natural resource and environmental management	23,109,853	
Global environment facility (GEF)	8,048,071	
Management of natural disasters	6,412,188	
Framework for environmentally sustainable development	411,398	37,981,510
OTHER		
Other (programme support, volunteers, etc.)	8,234,606	8,234,606
TOTAL		160,427,585

Source: Programme Gateway, Country Office, FIM.

An analysis of the two Country Cooperation Frameworks (CCFs) illustrates that there are small differences in the use of resources. (See Figure 1.) While governance remains the dominant theme, the focus on poverty has increased in the current period, although

FIGURE 1: BUDGET DISTRIBUTION BY UNDP THEMES

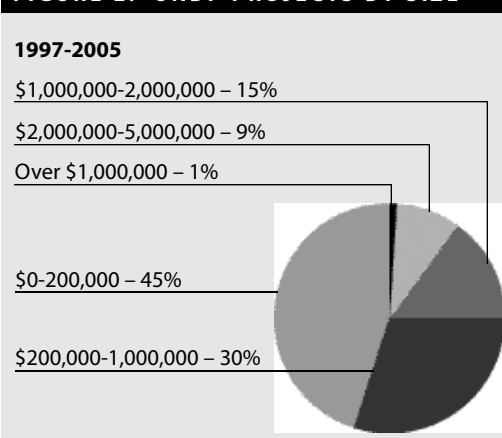
Source:SRF SOAR Gateway.

much of the poverty portfolio is also related to governance.

Within the UNDP portfolio there are a relatively large number of small projects. (See Figure 2.) This may give rise to perceptions of a widely dispersed portfolio, but some of the projects are related to the same theme or contribute to the same overall result. In addition, many of the smaller projects are from specific funding sources beyond the direct influence of the UNDP country office.

The majority of the smaller projects (54%) are studies or initiatives executed by a UN agency. Only 11% of the smallest projects are nationally executed, whereas almost all larger projects are nationally executed. Some are linked to specific funding windows, such as the GEF (35%). Excluding the GEF portfolio, with its many small grants projects, the percentage of smaller projects drops to 36.5%.

Currently in Viet Nam, there is a need for **more flexible mechanisms** for UNDP support than the formal “project” format. If UNDP is to act as a responsive and dynamic policy advisor to the government at specific points in the reform process, UNDP should be able to call on pools of resources for consultancies, studies, experts and research in a prompt and flexible manner. This type of support does not lend itself well to the current project package format. An umbrella fund, or direct use of TRAC resources, would be more appropriate.

FIGURE 2: UNDP PROJECTS BY SIZE

Source:SRF SOAR Gateway.

Other concerns about UNDP's portfolio include the following:

- a. Continuing evidence of direct interventions with localized and limited benefits that reflect an earlier organizational approach;
- b. Engagement on issues which, though significant from the standpoint of Viet Nam, are not areas of particular UNDP competence, such as fiscal policy, agricultural policy, aquaculture and integrated rural development; and
- c. In spite of earlier achievements in raising awareness on environmental issues, a current lack of a strategic position in the area of the environment.

In some cases, UNDP projects in Viet Nam were meant to achieve local impacts, be replicable, and also promote strategic policy changes. However, it is very challenging for any given project to accomplish all three effectively.

A number of UNDP-supported **projects have been strategic in nature**, particularly those in the area of governance, relating to the National Assembly, judicial reform, the Enterprise Law, the business environment, and public administration reform in Ho Chi Minh City. However, mere identification of a strategic development area is not sufficient. Projects must also be timely and generate sufficient *effects* to be termed strategic. Some interventions on poverty elimination and ethnic minorities were potentially strategic but did not have the requisite effects. Furthermore, some extended projects may lose their strategic importance over time, by continuing to do “more of the same”, such as Phase II of the HCMC PAR project (which is, however, being taken over by the local government).

With regard to “**replicable**” **pilot projects**, in many cases the expected replication did not actually take place. There was not enough analysis or application of what worked and did not work. Some replication has indeed taken place, but some of the excellent pilot projects could have had greater influence with more systematic treatment and better coordination and dialogue.

If UNDP is to act as a responsive and dynamic policy advisor to the government at specific points in the reform process, UNDP should be able to call on pools of resources for consultancies, studies, experts and research in a prompt and flexible manner.

Projects with local effects should demonstrate micro-macro linkages. What happens at the individual, household, and community level, where development takes place, should be linked to national policy frameworks and decisions, and vice versa. However, expectations that localized projects will influence national policies cannot always be realized without more systematic efforts to ensure that this happens. More rigorous systems of measurement, such as time series analyses or longitudinal surveys, are required to track such linkages.

UNDP projects in Viet Nam could benefit from greater **flexibility and innovation in management approaches**. The introduction of simplified UNDP programme procedures, new monitoring and evaluation methods and results-based management has been slow and may have lost the country office some opportunities for operational and substantive improvements. In particular, project monitoring systems are still more focused on implementation than results. The Country Office management is now in the process of improving its operational management in these areas.

A large majority of UNDP-supported projects have been nationally executed. The evaluation saw evidence that national ownership and leadership positively contributed to substantive results, particularly with the SEDS, the Enterprise Law and the National Assembly. However, the evaluation did not find conclusive evidence that the delegation of administrative tasks to national executors led to better results. Overall, the delivery and implementation rate for the UNDP portfolio has been rather slow.

The UNDP country office management is currently working to tighten the portfolio and

limit the number of projects. Nevertheless, this is one area where UNDP has to weigh conflicting messages. Almost all stakeholders consulted would still like UNDP to be active in their particular areas of interest. The customary approach of UNDP is to base its priorities on government priorities and requests. A more selective approach may be needed to build on UNDP's comparative advantage and to position UNDP strategically in different areas and activities. In particular, more attention should be paid to selecting, planning and designing strategic and replicable projects, and ensuring tight targeting for local effect projects.

ODA and Partnerships

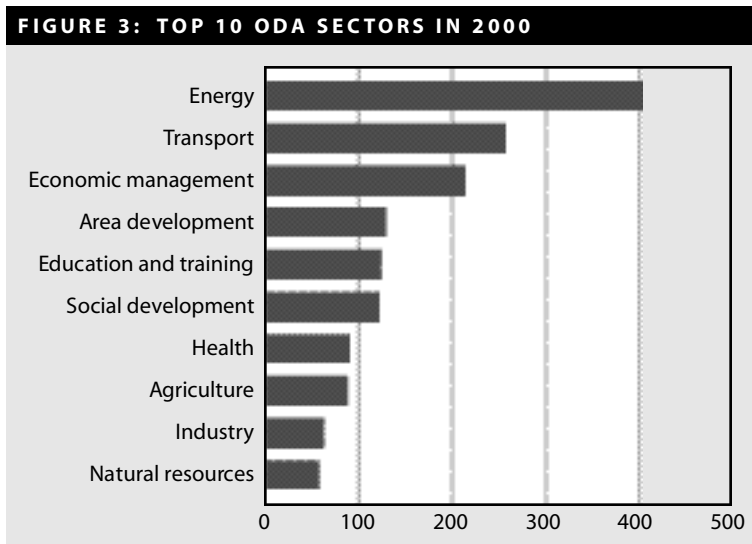
The establishment of strong partnerships between UNDP and government agencies represents a major success factor. UNDP also works with external development partners. With regard to public administration reform (PAR), the development partners include Switzerland, Sweden, Norway, Canada, the United Kingdom and the Netherlands. Many aid agencies are also now active on issues relating to judicial reform and the National Assembly, including the World Bank, ADB, SIDA, Danida, AusAid, CIDA, JICA, DFID and France. However, capital investment projects still account for most ODA (61% in 2000).

Much of the ODA has been concentrated in sectors that are not priorities within the UNDP mandate. (See Figure 3.)

A number of development partners have provided “cost-sharing” resources through UNDP, including Canada, Switzerland, the Netherlands, Denmark, Belgium, Australia, Norway and Luxembourg. Resource mobilization has been most effective for governance and, to some extent, for environmental projects. There has been limited donor cost-sharing for UNDP poverty initiatives; poverty monitoring has been supported by SIDA, rural development by the Netherlands and AusAid, and HIV/AIDS by AusAid. Nevertheless, development partners recognized the potential for more financial cooperation with UNDP, under the right circumstances.

The **Monthly Donor Group Forum** (MDGF), organized and chaired by UNDP, is useful in bringing together senior officials in the government and members of the international development community to discuss key issues of concern. The MDGF has been in operation since April 1995 and had held eighty-six sessions as of March 2003. In the early days, the MDGF helped bridge the significant distance between the government and the international development community. In more recent years, the MDGF has also provided a useful forum for considering alternative policy perspectives on important development challenges facing Viet Nam. Such dialogues have helped deepen understanding and trust among development partners, and strengthened the foundation for effective cooperation in the future. The forum has also provided the international donor community with a better understanding of government capacity and needs, for example on poverty reduction, public finance reform, ODA effectiveness, legal and public administration reform, trade reform, grassroots democracy, the role of the National Assembly, pressing environmental challenges, quality of education and numerous other human development issues.

Most development partners in Viet Nam are active in sectoral coordination mechanisms in



Source: UNDP ODA Survey.

their areas of interest. UNDP has sought to establish alliances with like-minded partners on an issue-by-issue basis. However, the perceptions and feedback expressed in connection with the evaluation indicated missed opportunities for partnering in a number of areas, including policy advocacy, sharing of experiences and replication in connection with the Millennium Development Goals and the Viet Nam Development Goals, improvement of targeted programmes, and administrative reform. There has been an impression of relative isolation of effort, which the UNDP country office management is actively working to redress.

With regard to partnerships with the UN Country Team, some patterns are evident:

- a. Contrary to expectations that might have been raised by Viet Nam's pioneering role in the UN Development Assistance Framework (UNDAF), there is limited evidence of substantive programmatic or non-programmatic partnerships within the UN Country Team for much of the period under review. A break in this pattern was evident over the past 15 months, in connection with the joint input to the Comprehensive Poverty Reduction and Growth Strategy, the Millennium Development Goal Reports, the "Young Viet Nam" initiative and advocacy on gender and HIV/AIDS issues.
- b. A critical examination of the content of the UNDAF and country programmes, interviews with UN and development partner staff, and the perceived absence of

UNDP's approach to partnerships should continue to evolve beyond funding relationships with donors towards broader and more substantive engagement around common concerns.

substantive partnerships, suggest that the UN's strategic planning process has been influenced by the need to accommodate existing or planned agency programmes rather than by more strategic thinking about the UN system's role in Viet Nam and opportunities for greater development effectiveness based on closer teamwork. The UNDAF II is broadly relevant to the country context, but is neither strategic nor results-based. It is also vague on the subject of programmatic collaboration.

In conclusion, the entry of a large number of development partners into the country provides Viet Nam with more choices for financial, technical and advisory assistance. UNDP's approach to partnerships should continue to evolve beyond funding relationships with donors towards broader and more substantive engagement around common concerns. UNDP and other donors are currently working in partnership on issues relating to HIV/AIDS, PAR, legal sector reform, the National Assembly, and disaster mitigation. These are areas where donors seek a common voice and pooling of resources. This is expected to help strengthen the strategic contributions of development partners in the future, in terms of relevance as well as effectiveness.



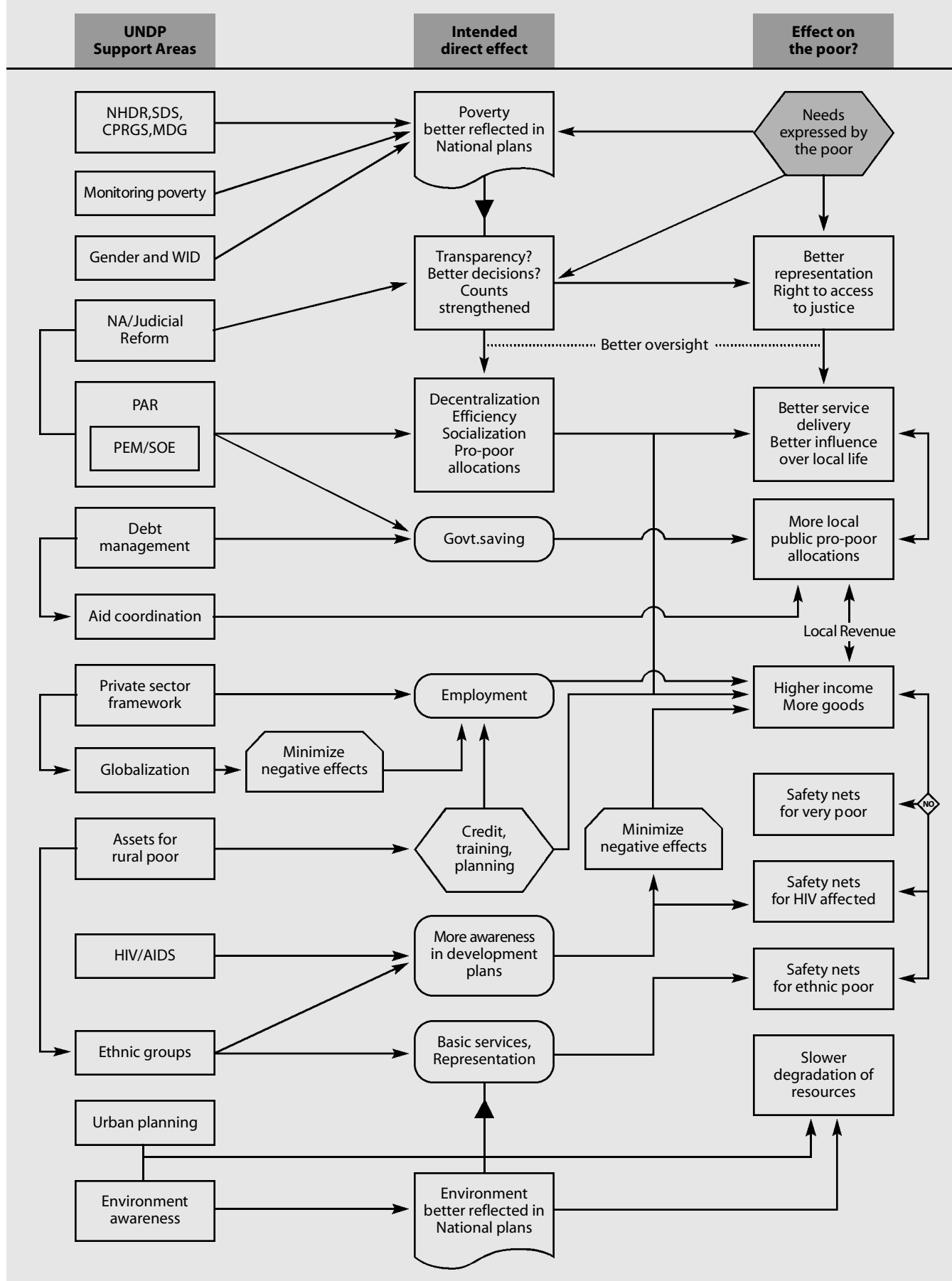
Linkages with poverty alleviation

Poverty reduction and economic growth have been undoubtedly the greatest achievements of Viet Nam over the last ten years. Poverty was cut by 50% between 1990 and 2000. This was mainly due to judicious decisions by the government to liberalize the country's regulatory framework and stimulate economic growth. Much of the liberalization has had positive effects on agricultural production, thereby reducing poverty in rural areas and establishing a pro-poor path to growth.

One key question is to what extent external development partners contributed to these achievements in poverty alleviation, and whether any specific agency or organization can be assigned credit. The evaluation suggests that clear linkages cannot be established, at least not without further research.

Nevertheless, certain conclusions can be drawn based on the overview of the UNDP programme portfolio in the previous section, and on the evaluation's analysis of strategic, replicable, and local impact projects. Figure 4 (see following page) illustrates some of the linkages between key

FIGURE 4: THE UNDP CONTRIBUTION TO POVERTY ALLEVIATION IN VIET NAM



cluster areas of UNDP support and their potential effects on the poor.

- A number of UNDP activities were of a strategic nature and were intended to directly **influence national policies** in order to ensure that policy frameworks were poverty-oriented. These activities included projects on the 10-year Socio-economic Development Strategy, the CPRGS, the MDG reports, the NHDR, gender action plans, and gender mainstreaming in other development plans. These activities led to policy changes that attempted to reflect the needs of the poor, but the actual effects of those policies on the poor will depend on their successful implementation, and on broader national acceptance of poverty as a priority. More stringent monitoring of actual results is needed. For the future, the National Strategy for Sustainable Development is currently under review by the national leadership, and is expected to be approved shortly.
- A second project cluster involved governing institutions (the National Assembly and the judiciary) and public administration reform. Activities in these areas relied on the premise that increased transparency, representation and oversight by the public advance **pro-poor decision-making**. Projects in this cluster aimed to bring the institutions closer to the people through decentralized governance. Again, however, the effects of the activities will only be realized in the future, and vigilance will be required so that the reforms in these areas actually promote poverty eradication. Emphasis should be placed on ways to prioritize activities so that they address the needs of the poorest provinces and groups in society. So far, support has concentrated on areas that are relatively strong economically, such as Hanoi, HCMC, and Hai Phong.
- A third cluster, small in financial terms, concerned UNDP work in **debt management and aid coordination** that supported the

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government in dealing with its ODA development partners and improving its financial situation through effective resource management. The impact of this on poverty will depend on how these financial savings are turned into benefits for the poor, and how the current loan portfolio and ODA target poverty. Given the development partner interest in the Poverty Reduction Strategy Paper, there is a good basis for ensuring pro-poor allocations. UNDP has also played a role in advocacy and policy dialogue regarding aid coordination. The publication of UNDP's annual "*Overview of ODA in Viet Nam*" for the period 1995-97 prompted considerable debate within the government, the National Assembly and the international donor community over the geographical distribution of ODA vis-à-vis the distribution of poverty. Since then, both the government and donors have made much greater efforts to reach out to the more isolated and impoverished areas of the country.

- UNDP also supported **private sector development** through policy advice to the government on changing the legal framework for business. A number of small and medium-sized enterprises (SMEs) were created, many of them household businesses. Although the majority of these SMEs are located in the cities, not in the poorer provinces, the potential effect in terms of increased incomes has been positive. The growing integration of Viet Nam into the global economy provides markets and higher incomes for Viet Nam's farmers, who comprise most of the poor, and creates incentives for diversification into a range

of cash crop exports not previously produced in Viet Nam. Some rural provinces, particularly those near major urban areas, have been able to promote export-oriented enterprises that attract migrant labor from the poorer areas of the country. However, the effects of increased integration on the poorest of the poor are as yet uncertain. By helping the government to prepare for WTO membership and increased competition, UNDP has an opportunity to provide guidance on how to minimize negative consequences for the poor.

- Some UNDP programmes provided direct support to poor areas and/or groups in selected provinces, and increased **assets for the rural poor**. Targeted projects to benefit ethnic minorities led to improvements in local services and representation for these groups. UNDP support has aimed to give a voice to the needs and priorities of ethnic minorities and HIV/AIDS victims. The recognition of these needs by decision-makers may lay the basis for consistent safety nets for such vulnerable groups.

- A large programme cluster on the **environment**, combined with a limited cluster of urban planning projects and projects on local resource use, has contributed to improved environmental capacity and planning. It is difficult to point to any direct improvement for the poor at this point, but sustainability in the use of resources will ensure positive benefits in the future and for future generations. Activities to accomplish sustainability goals will be outlined in the National Strategy on Sustainable Development currently under preparation. Environmental sustainability policies should be integrated into all the intended aims of UNDP's work, as should policies on poverty eradication and gender.

In conclusion, much of UNDP support can potentially affect poverty eradication. However, this assumes a strong poverty orientation within the different programmes, including explicit strategies on how to achieve poverty alleviation. Current programme formulation and monitoring systems should be reviewed from a poverty alleviation perspective.

3



Human development policies

In the 1995 UNDP Human Development Report (HDR), Viet Nam was ranked 120 on the Human Development Index. In 1998, the country was still 122 on the global list, but by 2001 Viet Nam had moved up to 101. The first national HDR for Viet Nam, in 2001, found that “the socio-economic policies that have been pursued in Viet Nam, particularly since the launch of *doi moi* process in the mid-eighties, can largely be considered as an implementation of the human development approach”. A few, more recent, milestones are discussed here, including the country’s 10-year development strategy, its poverty reduction strategy and its response to the Millennium Declaration.

THE 10-YEAR SOCIO-ECONOMIC DEVELOPMENT STRATEGY (SEDS)

Preparatory work for the SEDS began in 1998. Final approval was given by the 9th National Congress of the Communist Party in April 2001, and by the National Assembly in October of the same year. It provided an overall vision for development and a general sense of priorities and strategies. The SEDS also captured the main issues arising from Viet Nam’s experi-

UNDP support made timely and high-quality expertise and advice available to the government for its most important strategy formulation process, and promoted the adoption of a human development approach to reform in Viet Nam.

ence of reform over the previous decade and marked a departure from its preoccupation with stabilization and recovery. Both the timing and the nature of the SEDS, therefore, made it a clear national statement on the concept of human development.

The substantive direction and strategies set out in the SEDS were determined entirely by the Party and the government. The question then is to what extent UNDP played a role in supporting the work of the Party and government.

UNDP's engagement with the SEDS process grew out of a private meeting with the Minister of Planning and Investment in 1991 and a request from the ministry for assistance in research and analysis in four areas seen as critical to Viet Nam's development performance over the next decade. These areas were: the role of the state in the market; globalization and international economic integration; rural development and job creation; and science and technology for industrialization, modernization and knowledge-based development. In addition, the Ministry of Planning and Investment (MPI) requested UNDP's services for the organization of a series of technical and high-level workshops and consultations to discuss the results of research and analysis undertaken in these areas and to provide substantive advice on a new strategy. UNDP worked on a project with the Development Strategy Institute of the MPI, which was entrusted with providing analytical support to the Strategy Preparatory Group headed by the Prime Minister. The project, which eventually cost one million US dollars, also received funding from AusAid, SIDA and UNIDO.

By the time the project ended in 2002, national and international experts had been

brought together to carry out in-depth research. The experts met in a series of technical workshops to discuss a broad spectrum of development issues. Three high level roundtables were also organized with senior government officials, the SEDS drafting team, international experts (including Professor Joseph Stiglitz), development partners and NGOs. Two of the roundtables were chaired by the First Deputy Prime Minister, and the Prime Minister was directly briefed following each roundtable. An interesting feature of the roundtables was the absence of the press; this was meant to create the conditions necessary for open discussion and debate.

UNDP support made timely, high-quality expertise and advice available to the government for its most important strategy formulation process, and promoted the adoption of a human development approach to reform in Viet Nam. Perhaps more important than the development of the SEDS document itself was the open exchange of ideas during the roundtables, covering a wide range of strategic policy and institutional issues. Although many of these ideas did not show up in the strategy document, it is likely that they positively influenced the government's thinking and attitudes.

In 2001, the Party's Secretary General "instructed" all members of the Politburo, the Party Central Committee and all government ministries to carefully review the Proceedings of the Second Roundtable, just before the Party Congress in April 2001 when some important decisions were taken on new policy directions for the coming ten years. These decisions were especially relevant to the further development of a job-creating and globally competitive non-state business sector, a major focus of the Second Roundtable. A Party resolution was subsequently passed promoting the importance of the private business sector, and allowing Party members to engage in private business.

The importance of this aspect of UNDP's work would be hard to underestimate, for a number of reasons. *First*, the SEDS is the

foundation for a large number of complementary sector strategies and Five Year and One Year Plans. UNDP's advocacy led the Party and the government to embed the human development concept in the SEDS document and acknowledge that it was not only compatible with but also supportive of *doi moi*. Moving beyond the notion of human *resources* development was a major step forward. **Second**, the SEDS was only the second such document that Viet Nam had prepared since reunification and the launch of *doi moi*. Government officials, therefore, have admitted quite candidly that they needed access to international experience and advice on the wide range of complex issues faced by the country after about a decade of reform, complicated further by the onset of the Asian financial crisis. **Third**, the consultative process followed for the preparation of the SEDS was a landmark achievement in Viet Nam, in its breadth, depth and intensity of dialogue between national and international experts and stakeholders — in this sense it was a precursor to the CPRGS process which took place later in 2001-02. **Finally**, the success with the institutionalization of the concept of human development was more than an isolated achievement, as was shown by the publication of Viet Nam's first National Human Development Report (NHDR) in 2001 and the statement in the Five Year Plan, approved in 2002, which refers to "comprehensive human development".

The NHDR process was strategically linked up with the Ten-Year Strategy formulation process, for example by involving senior officials from the Strategy Preparatory Committee in the NHDR process. As a result, important human development goals were for the first time included in the Ten-Year Strategy. Because the performance of all 61 provinces and major urban areas will be assessed against the goals of the strategy, many provinces have begun collecting human development data to establish indicators and indices to benchmark their performance. Viet Nam's largest city, Ho Chi Minh City has also allocated funding from its own budget to launch a survey in July 2003 to collect human development indicators as a basis for the Party's mid-term review of the Strategy and the Five-Year Development Plan.

THE COMPREHENSIVE POVERTY REDUCTION AND GROWTH STRATEGY (CPRGS)

Although issues of poverty reduction were traditionally dealt with by the Ministry of Labour, Invalids and Social Affairs (MOLISA), the national CPRGS process was led by the Ministry of Planning and Investment (MPI). This reflected a shift in focus from social safety nets to structural issues, and from reliance on targeted programmes to a broader development strategy linked with expenditure planning, for which the MPI was responsible. To carry out its work, the MPI set up a drafting committee with representatives from 16 ministries, and other relevant bodies such as the General Statistical Office (GSO). In some cases, sectoral ministries also set up their own working groups and/or consultation processes. One of the notable features of the process was the considerable emphasis given to broad participation through consultations at the national, regional and community level. Regional consultations involved all 61 provinces and more than 500 officials. Community consultations included 1,800 poor people and local officials in the places where the participatory poverty assessment was conducted in 1999. The participatory process resulted in the preparation of five different drafts before the CPRGS was finally approved.

Some concerns have been raised about the CPRGS. **First**, the comprehensiveness of the document makes it difficult to obtain a clear sense of priorities and sequencing. **Second**, although there is a much greater emphasis on poverty reduction than in any previous policy document, what is proposed is much more in the nature of a strategy for overall development rather than for poverty reduction. **Third**, it does not appear that the strategy has been tested for its likely effectiveness in achieving the Viet Nam Development Goals (within which poverty and hunger reduction are key targets). **Fourth**, in the absence of clear priorities, sequencing and criteria for resource allocation, there may well be a major disconnect between the CPRGS and the actual planning of resources through One Year Plans, Five Year Plans and

the Public Investment Programme. *Finally*, there is a lack of clarity as to the future roles of the targeted programmes — the National Programme for Hunger Eradication and Poverty Reduction (HEPR), the National Employment Generation Programme and Programmes 133 and 135, among others. These programmes are absorbing substantial resources, but their effectiveness is still being debated. Decisions about these programmes also need to factor in the effects of cost recovery on the use of basic social services by the poor, a problem that has been acknowledged in the CPRGS. The CPRGS, however, does not enjoy the same status as the SEDS as it is seen as the action plan for implementing the broader development strategy.

During the CPRGS process, some suggestions were made that related to macro issues: broadening the focus more emphatically to cover social and environmental issues; introducing a clearer pro-poor dimension to proposed macro-economic policy and governance approaches; making a more explicit linkage between the CPRGS and other national strategies and plans; clarifying priorities and sequencing; linking priorities more rigorously to public expenditures; managing risks; and taking care to disaggregate data in monitoring to take into account disparities by gender and ethnicity. Some of the other comments were more “sectoral” in scope, providing ideas and suggestions on the quality and financing of health and education services (including the impact of cost recovery on the poor), agricultural and rural development, employment, social protections, gender, and HIV/AIDS. In its comments on the CPRGS, UNDP was able to partner with CIDA on gender issues, further reinforcing the views of the UN Country Team. In addition, agencies such as WHO and FAO worked with their respective sectoral counterparts to help them convey their views.

The contents of the final CPRGS document are, in fact, consistent with a number of the positions taken by the UN Country Team. There were also a number of other development partners, to take just one set of stakeholders,

who provided feedback to the government that was similar in many important respects to the views of the Country Team. Nevertheless, a review of the specific proposals and texts suggested by the Country Team indicates that UNDP’s efforts may have influenced the scope of the CPRGS so that it: focused more sharply and at greater length on health, education, HIV/AIDS, ethnicity, gender equity and the environment; incorporated some specific suggestions on the health and education sectors as well as the environment; adopted a framework showing the relationship between the CPRGS and other national strategies and plans; included a greater consideration of risks; and emphasized data disaggregation in monitoring results.

As a follow-up step, UNDP has initiated a short-term project with the MPI to support the implementation of the CPRGS. This is a timely and strategic investment that could enable UNDP to support the government more directly and effectively in this area. The issues addressed by this project are particularly relevant: wider dissemination of the CPRGS; monitoring of short-term implementation; further debate on pro-poor resource allocation; and, perhaps most significantly, an effort to help one province turn the national strategy into local action. This project has clear linkages with support for monitoring the MDGs and VDGs through the Viet Nam Household Living Standards Survey, as well as an upcoming evaluation of the National Programme for Hunger Eradication and Poverty Reduction. This project will provide additional opportunities for substantive contributions to policy and programmatic issues connected with the implementation of the CPRGS.

Some possibilities for future UNDP support have already been raised in country-level discussions. These include organizing periodic reviews of strategy implementation, and having expertise “on tap” to address priority emerging issues. These possibilities could build on the trust and confidence enjoyed by UNDP in Viet Nam and need to be taken up more forcefully before the opportunities are lost.

LOCALIZING THE MILLENNIUM DEVELOPMENT GOALS (MDGs)

The SEDS and CPRGS set the stage for Viet Nam's response to the Millennium Development Goals (MDGs) and the targets expected to be reached by 2015. Unlike most countries, Viet Nam in 2000 had already achieved or was close to achieving a number of the MDG targets. Most notably, poverty in Viet Nam had been halved between 1990 and 2000. However, there were considerations particular to the country — such as the quality of social achievements, ethnicity and governance — which were not addressed in the MDGs but which were seen as vital to the country's future development performance. In addition, it was necessary to synchronize with Viet Nam's planning cycle, which had a strategic horizon of 2010. Nevertheless, Viet Nam is one of very few countries that have worked to localize the MDGs.

The localization process was deliberately designed to provide a major input into the full PRSP for Viet Nam (the CPRGS) through the formulation of a framework of goals, targets and indicators which would: (i) reflect a further systematization and prioritization of goals and targets in the SEDS and sectoral strategies and plans; (ii) integrate Viet Nam's international development commitments with national goals and targets (which initially started with a focus on the International Development Targets but shifted to the MDGs as they took shape); and (iii) establish a basis for clearer accountability.

The localization process began in May 2001. The idea for localization originated with the Poverty Task Force (PTF), which includes representatives from 16 government ministries, six donors, four international NGOs and four national NGOs. The donor group includes the Asian Development Bank, UNDP and the World Bank, plus three bilateral donors chosen on a rotating basis. The PTF is co-chaired by the government and a member of the international community. A larger body, the Poverty Working Group, with membership

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open to any interested donor or NGO, serves as a forum for information sharing and feedback on the work of the PTF.

The PTF generates data, analysis and a broadly shared view of the challenges for poverty reduction in Viet Nam. As a result, the PTF was a natural choice for leading the localization process. Its record included: (a) a joint and influential poverty assessment "*Viet Nam: Attacking Poverty*" published in 1999 as the World Bank's Country Economic Memorandum; (b) assistance in the formulation of the government's Hunger Eradication and Poverty Strategy in 1999-2000; and (c) a dialogue conducted to help prepare the interim PRSP (which was approved in March 2001).

The government requested the PTF to undertake selected studies on MDG issues. Eight themes were assigned by the PTF to one or more lead agencies, who were responsible for both spearheading the analysis and ensuring an appropriate consultation process. The themes and lead agencies were: (i) eradicating poverty and hunger (World Bank); (ii) reducing vulnerability and ensuring social protection (World Bank); (iii) providing quality basic education for all (DFID); (iv) improving health status and reducing inequalities (ADB and WHO); (v) ensuring environmental sustainability (UNDP); (vi) promoting ethnic minority development (UNDP); (vii) enhancing access to basic infrastructure (JBIC); and (viii) ensuring good governance for poverty reduction (ADB). The draft papers on each of the eight themes were discussed at a major workshop held in September 2001 to discuss the formulation of the Viet Nam Development Goals (VDGs). This set the stage for the formal presentation of the VDGs at the Consultative Group meeting in December 2001, where they were endorsed by the

In adapting the MDGs, the VDGs included a fuller and more powerful set of targets on gender equality and women's empowerment, including targets relating to participation in agencies and sectors, rights to land-use certificates and vulnerability to domestic violence.

government and all other stakeholders for inclusion in the CPRGS. Additional work was undertaken after the Consultative Group meeting, and the eight thematic reports were published in June 2002.

The recommendations of the PTF were, however, not integrated in their entirety into the CPRGS. Nonetheless, the final list of VDGs, as adopted in the CPRGS, covers almost all of the goals, targets and indicators in the MDGs, including a number of the global indicators converted into quantified targets. From the standpoint of the MDGs, the most significant missing targets are the elimination of gender disparities at *all* levels of education (by 2015) and the reduction of morbidity caused by malaria and other major diseases. Indicators are missing regarding the primary school completion rate, aspects of reproductive health (births attended by skilled health personnel and the contraceptive prevalence rate), biodiversity, energy use and CO₂ emissions.

Nevertheless, the VDGs, in some respects, improve on the MDGs. In adapting the MDGs, the VDGs included a fuller and more powerful set of targets on gender equality and women's empowerment, including targets relating to participation in agencies and sectors, rights to land-use certificates and vulnerability to domestic violence. The VDGs also go beyond the MDGs to acknowledge concerns that are critical to rapid and sustained progress — the vulnerability of the poor to shocks, governance (participation, transparency and predictability), disparities by ethnicity, and the role of infrastructure development. It will be a challenge, however, with these modifications, to develop and collect data on the relevant indicators.

A bigger issue with the VDGs is their relationship with the other goals and targets in the CPRGS; there are 19 in addition to the VDGs. On the one hand, the relationship is reinforcing to the extent that the CPRGS goals cover aspects of the MDGs which are not addressed in the VDGs, such as the primary school completion rate, births attended by skilled personnel, contraceptive prevalence, morbidity caused by major diseases, integration of environmental considerations in policies and programmes, biodiversity, and employment generation. On the other hand, it is not clear how the VDGs will be prioritized relative to other goals and targets, especially those that are economic in nature.

With regard to data collection, in addition to surveys by the General Statistical Office (GSO), there are also routine **reporting systems** in sectoral ministries such as health and education which provide data on service coverage, health service utilization, facility-based morbidity and mortality, gross and net school enrolment rates, as well as drop-out and completion rates. Much of the data is available annually and covers all facilities and administrative levels.

The Viet Nam Living Standards Survey (VLSS) and the Viet Nam Household Living Standards Survey (VHLSS) provide comprehensive, accurate, disaggregated and comparable data on most of the targets in the VDGs. Indeed, with the data set extending back to the early 1990s, Viet Nam has the advantage of a baseline that closely approximates what is required for the MDGs (that is, 1990). Furthermore, the data from the VLSS has already been put to good use for the first poverty assessment (*Viet Nam: Attacking Poverty*, 1999), the CCA (1999), the MDGRs (2001, 2002) and the analysis underlying the CPRGS (2002). Besides providing high-quality, timely data, the VLSS process has also contributed to building the capacity of the GSO so that most users are comfortable with its ability to design, implement and process the results of the VHLSS.

A number of major challenges are, however, visible on the horizon: *first*, to improve national

capacity for follow-up research and analysis using the survey data; *second*, to foster an evidence-based approach to strategy, programme and budget preparation, at both the national and provincial level; *third*, to create a single internationally comparable national poverty line rather than having two separate poverty lines — one internationally comparable and the other locally-specific — which are based on different methodologies, and yield different results;¹ *fourth*, to close the capacity gaps in the routine (administrative) reporting systems, as well as in the systems and tools for monitoring environmental indicators; and, *finally*, to substantially improve public access to the information available from the VLSS/VHLSS and other major surveys. In connection with the last point, UNDP, the World Bank and other donors have jointly supported a Viet Nam Development Information Centre (VDIC) physically located in Hanoi and also accessible on the Internet. This is a useful initiative that could serve as a prototype for similar centers in other major cities and towns, hosted by national institutions or networks.

The investments made by UNDP in the VLSS provide an example of successful action by UNDP as a “first mover” on a strategic issue. UNDP got involved early, built a productive relationship with SIDA and the World Bank, and stayed engaged over a sustained period of time.

The localization process was conducted, for the most part, at the national level even though provinces will play a large role in applying the VDGs locally and mapping out the detailed strategies and budgets that will be key determinants of performance. Although the prominent role played by donors in localizing the MDGs might create the appearance of a “donor driven” process, this conclusion does not seem warranted because of the strong leadership exercised by the government on policy and donor coordination issues.

Much of the work on localizing the MDGs was carried out within the framework of the PTF, in which UNDP was not just a member but one of a handful of donors who played a key role in defining the body’s agenda and work programme. As a consequence, UNDP’s participation in the localization process, and its contribution through leadership on environmental and ethnic minority issues, does not come as a surprise.

A paper “*Ensuring Environmental Sustainability*” was prepared by the World Wide Fund for Nature (WWF), at the request of UNDP, and UNDP managed the associated working group. UNDP itself led the drafting of the paper on “*Promoting Ethnic Minority Development*”, and also managed the accompanying working group.

There was a fair degree of success in the areas entrusted to UNDP, even though the issue of ethnic minorities was perhaps the most sensitive among all the themes addressed by the localization process. With reference to ethnic minorities, three targets were proposed and also included in the CPRGS, although with some significant modifications. The indicators proposed for these targets were also accepted, for the most part. Additional suggestions to amend other targets for poverty, employment, mortality, malnutrition, education, access to safe water and grassroots democracy were not taken up in the CPRGS. In the area of the environment, three intermediate indicators were proposed and these were included in the CPRGS with limited modifications.

MONITORING POVERTY AND THE MDGs

Viet Nam has a sizeable system for monitoring development data and indicators. Because there has been duplication of effort, the government has decided to merge the national

1. The method for defining the poverty line based on *international* standards was jointly developed by the Vietnamese General Statistical Office and the World Bank and was applied in the Living Standards Measurement Surveys in Viet Nam (in 1992-93 and 1997-98). The Ministry of Labor, Invalids and Social Affairs (MOLISA) of Viet Nam developed a *national* poverty line to identify poor people and communes, with specific numbers and addresses, in order to develop a list of poor households and communes eligible for support from the National Targeted Poverty Reduction Program and other supporting policies.” (Government of Viet Nam, CPRGS, 2002).

survey instruments into a single Viet Nam Household Living Standards Survey (VHLSS), which will be carried out biennially. A first round of the VHLSS was launched in 2002, with a report expected in the second quarter of 2003; the next round will be carried out in 2004. The VHLSS survey consists of a core module complemented by a more specialized and in-depth set of modules on a range of social and economic issues (which will be included on a rotating basis). The core module focuses on household size and composition, educational levels, employment, income and expenditures, assets, housing, access to services, and participation in poverty alleviation programmes. The lowest level of disaggregation for the VHLSS and most other surveys is the provincial level although it is possible, upon request, to expand the sample size to accommodate lower levels of disaggregation.

Besides the VHLSS, a number of **other major surveys** are conducted in Viet Nam. These include an agricultural and rural development survey, and a survey on economic and public service entities, both carried out every 5 years. There are also annual surveys on enterprises in all sectors, the retail sector (goods and services), labor and employment (commissioned by MOLISA), and crop production. Ad hoc surveys have included a Demographic and Health Survey (DHS) in 1998, a Multiple Indicator Cluster Survey (MICS) in 2000 and a Viet

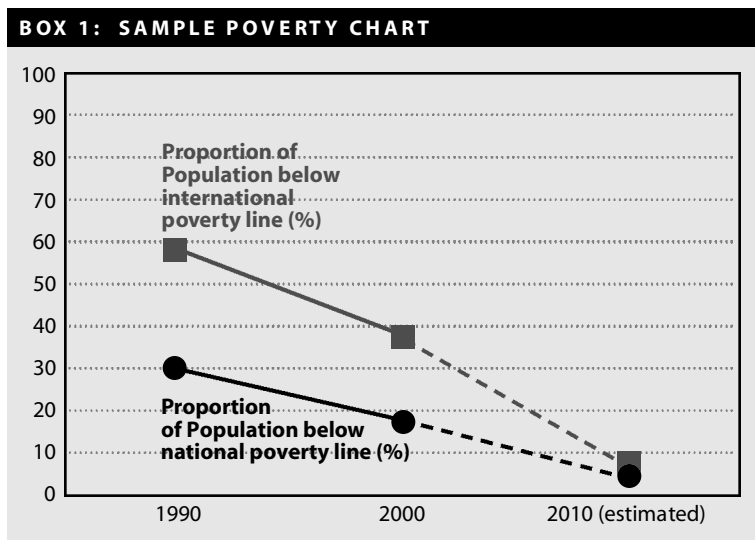
Nam Health Survey in 2001-02. The last national census was completed in 1999.

The consolidated VHLSS and other major surveys, as well as the census, are administered by the General Statistical Office, which is the primary statistical body in the country. The mandate and functions of the GSO are identified in Government Decree 23 and detailed in the Ordinance on Statistical Development issued in 1988. This Ordinance is now being superseded by a Statistical Law that is in the process of being submitted to the National Assembly. The GSO has drafted a 10-year strategy for statistical development (2001-2010) and is working on a five year plan of action. It is also undergoing a substantive and organizational reform process. The GSO's current structure includes a headquarters office in Hanoi, 61 provincial departments of statistics and 600 district statistics units.

MDG Reports (MDGR)

The first MDG report for Viet Nam followed the format and structure established in the pioneering report prepared by the UN Country Team in Tanzania in 2000, which was subsequently adapted and formalized through a UNDG Guidance Note on monitoring the MDGs (2001). The first Viet Nam MDG report provided tabular overviews of progress and monitoring and evaluation capacity for tracking the goals; a review of the development context; and, for each of the eight MDGs, an assessment of current status and trends, the challenges to achieving the goal, the support available within Viet Nam, and possible priorities for development assistance. (See Box 1 for a sample poverty chart from the MDG report.) There are some improvements, however, that could be made to the Viet Nam MDGR process and product:

- The MDGRs have so far been driven by the UN Country Team, with important national stakeholders (the GSO, ministries, provinces) playing only a limited role in the process. This is neither sustainable



Source: GSO and MOLISA.

nor desirable over the long-term. A strategy has, therefore, been developed, to enable progressively greater leadership by the government in the MDGR process. The work being done to monitor the CPRGS and the VDGs (using the VHLSS and other tools) can provide the platform on which to build full country ownership of reporting. It is planned that the 2003 MDG Report will be the last one for which the UN Country Team plays a leading role. The government will take the lead in preparing future reports. The UN agencies aim to develop national research capacities in these areas.

- The relative insularity of these reports, at least in their preparation, seems to be confirmed by their less than significant effect on the development partner and NGO communities. The potential of the MDGR *process* as a springboard for building partnerships around common concerns has not been fully exploited. Promisingly, the latest MDG report received attention from key donors and international NGOs at the annual Consultative Group meeting in 2002, and was praised by the UN for its intellectual leadership in highlighting challenges related to economic disparities within the country.
- More needs to be done to integrate the MDGRs within a strategy for advocacy and communication. There was, however, increased attention paid to this issue in connection with the second report, as shown by efforts at media outreach and targeted policy advocacy, together with plans for a UN advocacy and communication strategy built around the MDGs, and this may become less of a concern in the future.
- The content of the reports is becoming increasingly less accessible to the ordinary

UNDP involvement in the MDGR process has involved developing the ideas, pulling together the agency contributions and drafting the text.

UNDP has also been funding much of the cost of publishing the MDGRs.

person, contrary to another global benchmark for the MDGRs. There may be sound reasons for a strong analytical text — for instance, because key target groups require such an approach in order to take the issue seriously — but the reports also need to be “popularized” in a way which reaches a much wider audience. The Vietnamese people, as well as Vietnamese policy-makers, need to be engaged on the MDGs. This requires a different approach, including an attractive media campaign and related activities.

UNDP involvement in the MDGR process has involved developing the ideas, pulling together the agency contributions and drafting the text. UNDP has also been funding much of the cost of publishing the MDGRs. In comparison, the role of other members of the UN Country Team seems to have been somewhat limited. It is very much in the interests of UNDP to foster more intensive engagement by the other members of the UN Country Team in the preparation of MDGRs. The UN Country Team, in turn, needs to consider how best to “nationalize” the MDGRs, now that the MDGs have been localized successfully. A number of delegates to Viet Nam’s National Assembly are interested in the report’s innovative MDG provincial indices. Also influenced by the MDG report, Ho Chi Minh City has on its own initiative decided to include MDG indicators in a new human development survey to be launched in July 2003.



Public administration reform

The ability of Viet Nam to achieve the development goals it set for itself in its 10-year Socio-economic Development Strategy (SEDS) largely depends on rapid enhancement of the effectiveness of the public administration reform process. At the opening of the 11th session of the National Assembly in 2002, the Prime Minister stressed the need “to build a transparent, strong and highly efficient Government; to push back and prevent corruption, waste and unnecessary bureaucracy; and extend democracy and openness, combined with strengthening the discipline and rule of the State apparatus in society”. This clear leadership statement is indicative of the ever-increasing attention given to Public Administration Reform (PAR) in recent years.

Over the last few years, the government reduced the number of its ministries, ministerial agencies, and affiliated agencies from 46 to 39. To avoid functional duplication, in 2002 a decree was issued to refine the functions, mandates, authority and organizational structures of ministries, ministry equivalents and government-affiliated agencies. Rightsizing of the entire bureaucracy has begun, although at a slower pace than anticipated. The goal of 25% reduction turned out to be impossible to reach; in fact, some ministries increased their staffing. For a population of 78 million people, Viet Nam

has close to 1 million teachers, 300,000 medical doctors, and a staff of 300,000 in the national administration. A general inefficiency in the bureaucratic government structure is often exacerbated by rent seeking among the poorly paid civil servants. In addition, the law-making process suffers from technical limitations and inefficient procedures that limit the pace of legal reform, and the distribution of tasks and resources among agencies and tiers of the government is still in many ways characteristic of a centrally-planned state, rather than a truly market-oriented economy.

PILOTING PUBLIC ADMINISTRATION REFORM – “STEP BY STEP”

In 1992, UNDP started supporting Public Administration Reform within the context of the transition to a market-oriented economy. UNDP’s assistance was in three phases: (a) conceptualization; (b) piloting and testing; and (c) learning by doing, through implementation of the PAR Master Plan. (See Figure 5.)

Although UNDP supported a number of pilot projects (approximately 30, according to MOHA

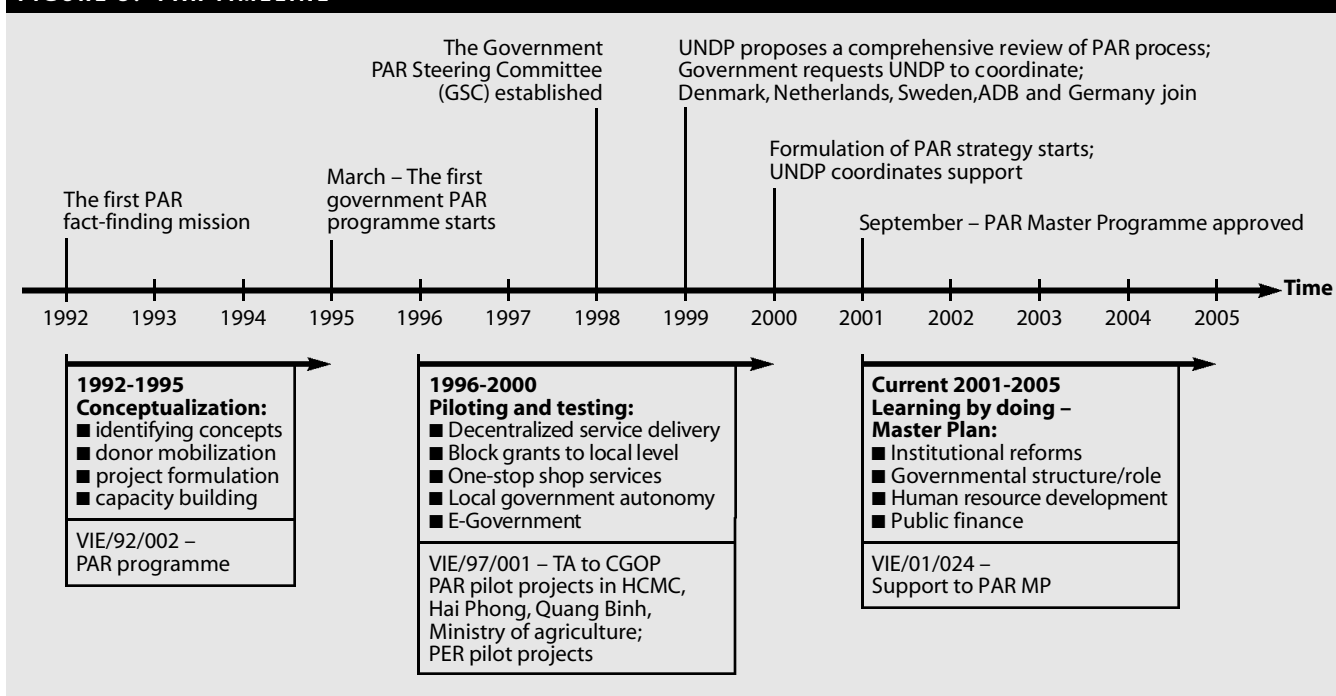
estimates), the effect of these early efforts remained relatively limited due to a lack of a common framework nation-wide. One of the main achievements during the period was therefore the development and approval of the PAR Master Programme itself.

PAR MASTER PROGRAMME – “A LEAP FORWARD”

In June 2000, the Government Steering Committee for PAR carried out a comprehensive assessment on PAR that was coordinated by UNDP, with support from Sweden, the Netherlands, Germany, and Denmark. The government appreciated the role played by UNDP and asked UNDP to help coordinate efforts to prepare the first national PAR Master Programme.

An over-riding goal of the PAR Master Programme is to reorient the role of the state, ‘from rowing to steering’. The Ministry of Home Affairs, the agency most directly in charge of administrative reform efforts, states that the national government is rapidly getting out of service delivery, leaving this to the provinces and districts, while the national

FIGURE 5: PAR TIMELINE



agencies focus their attention on the functions of strategic state management. Such a shift requires serious efforts to transform the functions — and the behavior — of civil servants. The PAR programme is now being carried out simultaneously within the national government and in all 61 provinces. The PAR MP contains four key components. (See Table 2.)

The Government of Viet Nam is serious about sustaining its reform effort. The implementation of the PAR MP is now being supported by a wide array of donors, and that assistance is being channeled towards all national and local government units. The coordination efforts required for such an endeavor have not been underestimated by UNDP, the associated donors, or the government. Some key challenges include:

Generating and maintaining momentum at all levels. Real progress has been made, but many people commented that a strong sense of urgency is missing at many, if not most, levels of government. Although the PAR Master Programme exists and seven sub-programmes have been identified to ensure its well-coordinated implementation, actual progress remains the responsibility of each individual ministry, province and city. A master plan for training management and staff at all levels of government has recently been approved. Advocacy and commitment building are needed as well — within the Party, and national and local government bodies.

Systematically learning from experience and replicating success. The combination of national laws and local innovations has generated a lot of experimentation in the PAR process. The diversity of the programme may well be both its most valuable asset, as an engine for innovation, and its greatest constraint, because of historic deficiencies in replication of successes.

Information and communication. Open and dynamic communication is important at many levels: (a) within the government itself; (b) among donors and projects; and (c) with the general public. A broad-based communication mechanism would enhance public awareness

TABLE 2: KEY ACTIONS UNDER THE PUBLIC ADMINISTRATION REFORM MASTER PROGRAMME	
Key Reform Areas	Action Program
1. Institutional Reforms	<ul style="list-style-type: none"> ■ Improvements to the development, issuance, and quality of legal normative documents
2. Reform of the organizational structure of public administration	<ul style="list-style-type: none"> ■ Improvements to the roles, functions, and organizational structures of agencies in the administrative system ■ Modernization of the administrative system including computerization and e-government
3. Improving the quality of public officials	<ul style="list-style-type: none"> ■ Rightsizing of the civil service ■ Training and retraining to improve the quality of public officials ■ Salary reforms and incentive structures
4. Public finance reforms	<ul style="list-style-type: none"> ■ Improvements to the financial management mechanisms for administrative and public service delivery agencies

and encourage public involvement in assessing whether any progress is being made by the agencies in their area. The government has expressed its intention to formalize a PAR ‘Partnership Forum’ to facilitate communications on this critical reform effort; this should be strongly supported by UNDP and other donors. The entire PAR implementation process remains a subject that is not well known to the general public. While citizens cannot, and need not, be involved in all decisions, information should be made publicly available concerning all key decisions and budget allocations.

The national government can play a valuable role by providing technical assistance to organizations or departments, preferably in clusters, to assist them in identifying comparable indicators and performing regular self-assessments to determine progress. The Programme Support Facility initiated under VIE/01/024 could become a flagship operation through which the UNDP country office could support such decentralized reform and capacity building.

PUBLIC EXPENDITURE MANAGEMENT (PEM)

Although recently included as an integral component of the PAR Master Programme,

BOX 2: AN EXAMPLE OF THE 'SOCIALIZATION' PROCESS

Socialization is seen as a "new method to improve the role of the State and bring into full play all sources and the strength of the people." It involves making the public more aware of public services and mobilizing them, and their financial resources, to play a greater part in their community. Ultimately, it aims to ease the burden on the national budget. It is based on the traditional concept in Viet Nam that there are three sectors: (a) public administration; (b) public causes (health, education, research, culture); and (c) public enterprises. There is no traditional concept of a private sector. Socialization is meant to bring private sector principles closer to the people.

As an example, in the city of **Hai Phong**, the city passed a regulation changing the relationships among non-state (private) sanitation companies, city districts and communes, and neighborhood service groups, regarding waste collection. Waste collection was made the responsibility of the community organizations, but waste removal and treatment was put out for competitive bidding. Participating households pay for the service that was previously provided for free by the city, but the service is now more regular because it is based on charging user fees. In practice, the effect has been one of moving more responsibility to non-state sectors, and the communes and citizens themselves. The people in the commune pay more and do more garbage collection and cleaning; the non-state company is paid more and works more; the work and costs of the local government are reduced; and the environment is cleaner. Rubbish collection is now estimated at 80-90%, compared to 30% before.

In the Hai Phong commune visited, where there are 2067 households and somewhere between 6000 and 8000 people, the non-state sanitation company is paid directly by the people in the commune, and has to visit each household in order to collect 1000 VND per person per month. In larger areas, or places where other services are also socialized, this sort of arrangement may become too inefficient. An alternative is, of course, local service taxes.

Sources: The pilot PAR project in Hai Phong City: Results and Experiences, 2002, and interviews.

the Public Expenditure Management (PEM) projects actually preceded — or ran in parallel to — the larger PAR.

Fiscal decentralization was moved forward in 2003 through an amendment to the **State Budget Law** that grants greater authority to provinces to allocate their central budget transfers for locally-determined purposes. The share of the national budget spent by local administrations rose from 26% in 1992 to 43% in 1998. The figure is still higher today, following the recent amendments. The accountability of local administrations for the allocation of national and local revenues, both upwards to the national government and downwards to their citizens, is meant to be addressed in this amendment. Much will depend on effective implementation and monitoring of the law.

This enhanced budgetary autonomy for local administrations coincides with a general increase in the use of fixed '**block grants**'. This system allows for greater flexibility in shifting resources among budget lines and is

tied to the government's plan to allow savings in recurrent expenditures to be used for salary increases. This system was piloted in Ho Chi Minh City starting in 1999.

In 2002, the government took steps to develop innovative financial management mechanisms for public agencies that earn revenue. This effort to improve the cost effectiveness within the government of Viet Nam is referred to as '**socialization**' of public services. The initiative has generated considerable discussion and debate among donors and government regarding its potential effect on inequalities among households. "Socialization of public service delivery functions which are not necessarily to be handled by government agencies" is now one of the nine objectives of the PAR MP. In theory, the concept has been introduced in order to increase the level of revenue generated locally to finance public services and reduce the burden on national resources. However, the complexities in managing such "socialization" may be prohibitive for application on a large scale. (See Box 2.)

UNDP support for Public Expenditure Management began in 1996 when the first Public Expenditure Report (PER) report was submitted by the government to meet structural adjustment credit conditions. UNDP's most valuable work began in 1999, however, in collaboration with the World Bank. As a part of this assistance project (VIE/96/028 Public Expenditure Review – Phase II), UNDP was asked to develop capacity in the Ministry of Finance and other relevant agencies to carry out PERs in some key sectors (Education and Training, Health, Agriculture and Rural Development, and Transportation) and to pilot the process locally in Bac Ninh, Quang Binh, HCMC, Lang Son, and Ben Tre provinces. Various activities also involved people from MPI, the State Audit Office, ONA, and from other provinces such as Nghe An, Hai Phong, and Binh Duong. The review included an analysis of the macroeconomic resource situation and the budget preparation and expenditure allocation processes, using guidelines developed by the project.

Providing simple analytical tools, such as the PER, together with appropriate training and technical backstopping, has proven to be an effective means of generating acceptance of processes of institutional transformation. The PER process is now recognized as an essential tool for **budget preparation** in national and provincial units of the government. Both national and provincial budget preparation capabilities have been enhanced as a result of the use of this basic tool, especially in regions and sectors that benefited from direct piloting. As transparency and accountability of the government towards its citizens becomes stronger, the early institutionalization of the PER process will likely come to be seen as a very useful intervention by UNDP. The project has a replication effect, although it is not clear from evidence available that PER has been carried out satisfactorily in all regions.

As an example of the institutionalized outcomes associated with the UNDP-supported PER pilots, HCMC has adopted a **financial transparency policy**. This requires the city to publicly announce its budget each March, after approval by the City People's Council, and in April when the City People's Committee makes decisions on the state budget allocations to the city. All administrative units and agencies under the management of the city are supposed to follow similar practices of financial transparency.

The Ministry of Finance recently completed a review of its financial and monetary policies over the period 1991–2001 and prepared a strategy for the next decade known as the Public Financial Management Reform Initiative. The strategy sets ambitious targets: for domestic savings to grow at annual rate of 10%; national investment to grow to 32% of GDP by 2010; and households to account for 7–8% of GDP by 2010.

Other issues affecting reform of the fiscal system include:

■ **Delegation and decentralization.**

Considering the traditionally centralized system in Viet Nam, a remarkably high percentage of government spending has been decentralized to the local level. Local expenditures represented over 43% of total government expenditures in 1998. Despite the fact that 41 out of 61 provinces are today entitled to keep 100 percent of the taxes collected at the provincial level, the concentration of taxing power at the national level limits the incentives to raise revenue locally. Market mechanisms for resource allocation are still underdeveloped and may not guarantee that funds reach the most crucial areas. With competing demands for public funds, the increased authority granted to local governments may undermine spending on pro-poor improvements.

■ **Transparency and oversight.** A decentralized fiscal system requires solid institutional structures to monitor expenditures and results. Relatively low fiscal management capacity at the local level, together with a lack of common accounting standards and weak financial and monetary supervision creates an urgent need for better expenditure monitoring and auditing. Weaknesses in available information and quality of data also influence potential investors, donors and lending agencies negatively.² Part of the challenge is to strengthen capacity for financial oversight within the National Assembly, the People's Councils, and the general public. A move towards 'e-governance' would be helpful, as well as greater feedback on the actual results achieved when public funds are spent.

■ **Coordination and planning.** Planning and budget allocation responsibilities are currently not harmonized; there is no consolidated budget with both capital investment and current expenditures, which can lead to ineffective funding

2. For example, the IMF Board is currently withholding the next financial tranches pending more details from the Central Bank on accounts. However, the ADB recently signed a loan in which a significant component will be allocated to administrative modernization through computerization and e-governance.

From the beginning, UNDP decided to play the role of a catalyzing agent, with a focus on introducing the Vietnamese to a wide range of global experiences that they could draw upon in formulating their reform agenda.

allocations. There are also no satisfactory mechanisms to ensure that funds are allocated and spent in line with overarching national objectives and plans. The donor community has been particularly concerned about aligning local public spending with the CPRGS.

- **Revenue management.** The bottom line is that there are not enough funds to meet development targets. Non-state investment remains low, and national allocations coupled with locally raised funds have been insufficient to cover all local requirements. A number of new initiatives have been tried, including block grants, user fees for services, ‘bottom-up’ expenditure programmes in provinces and ministries, policies requiring units to explain major deviations contained in annual budgets, and “socialization”.

The implementation of PEM has only now begun to be synchronized with the implementation of other aspects of PAR, such as institutional reform, organizational structure reform, and capacity building for civil servants. There has been a lag in the development and adoption of financial policies that support PAR. The current budget preparation process is a holdover from the days of central planning. It is a complex collection of bottom-up proposals and top-down budget allocations. Much of this will change as a result of the passage of the amended State Budget Law at the end of 2002. Eliminating the dual budgeting process (with separate capital and recurring expenditures) and moving to an integrated budget focused on long-term development goals is a fundamental step that the government needs to take in order to reduce growing disparities in the distribution of national resources.

THE UNDP ROLE

Early and significant involvement placed UNDP in an excellent position to assist the government in guiding other donors towards the most critical aspects of the reform agenda. From the beginning, UNDP decided to play the role of a catalyzing agent, with a focus on introducing the Vietnamese to a wide range of global experiences that they could draw upon in formulating their reform agenda.

The sensitive and long-term nature of PAR was well suited to the comparative advantages of UNDP as a neutral body that could help the government optimize the combined value of external inputs. This perceived objectivity was identified by the government as a key feature of UNDP support. Some donors commented that UNDP is generally better placed than many bilateral donors to support complex, arduous and long-term reform processes, such as the PAR, where results are not so easily forthcoming.

The origin of the PAR MP can be traced back to the UNDP proposal, in 1999, to review PAR experience so far, and to systematize the lessons learned. Although a master programme would doubtless have been prepared sooner or later, even without such a review, there is every reason to conclude that, at the very least, UNDP’s review proposal provided the momentum for the planning of a coherent and comprehensive framework.

The results of the array of PAR ‘pilot’ projects in various ministries and provinces have been varied. Some have had a strategic quality, such as the first PAR support project (VIE/92/002), which promoted the growth in piloting and testing.

Other projects have had a more localized effect. For example, the PAR project VIE/98/004 in the Ministry of Agriculture and Rural Development (MARD), which started in 2000, was initiated due to the strategic importance of the ministry to rural development and poverty. With UNDP

assistance, MARD was able to produce its ministerial PAR Action Plan in December 2002, and also conduct studies of farmers' needs. It is not clear, however, what significant effects the project had. Nevertheless, it was reported to the evaluation team that implementation of the project contributed significantly to the revision of the Law on the Organization of the Government and to Party Decree #86 in 2002, which refined the functions and organizational structures of ministries and agencies.

An early PAR pilot project in HCMC was well received because historically and politically this was a region where private initiatives had a relatively long track record. The HCMC PAR project served as an "experimentation laboratory" for piloting new approaches in a decentralized manner. (See Box 3.) Nevertheless, there were also missed opportunities in terms of systematizing lessons learned and replicating good practices and successes. To address this, the UNDP Country Office and its counterparts are fine-tuning tools and methodologies for tracking and reporting on results of pilot projects.

The measures completed to date have improved the legal and policy environment for the market economy. In addition, the government has conducted a number of PAR pilots and is working on policy issues which serve as foundations for further implementation of the PAR MP, especially in the areas of decentralization, grassroots democracy, and capacity building for management, planning and budgeting. Through pilot projects, UNDP has provided support for concrete reforms.³

Institutional reforms include efforts to streamline administration activities and simplify procedures. According to the Ministry of Home Affairs (MOHA), at the present time, 30 provinces have introduced **one-stop shop** administration services in one form or another. In general, one-stop models

BOX 3: EXAMPLE – PAR IN HO CHI MINH CITY

The objectives of the HCMC PAR project (VIE/96/029) include:

- Capacity improvement for middle and high ranking officers of HCMC
- Support for provision of better housing and land services
- Support for reorganization of urban management system and PAR efforts of the city
- Harmonization of administrative procedures for land and housing management and construction.

HCM City has been a pioneer in PAR. The UNDP project VIE/96/029 helped generate some of the first ideas for PAR in HCMC — and the country — through this pioneering effort. The most important achievement of the project has been the contribution it made to the development of the decentralization decree of 2001, which gave the city more autonomous power to make decisions concerning its administrative management. Within its first year of implementation, the project helped to develop 28 legal proposals regarding land and housing management, enterprise management, budgets, construction, and environment. The city authority approved thirteen of the proposals, and other proposals are being considered or revised and are expected to be approved soon.

Through the efforts of the project, the city has managed to separate public administration management from public administration services. The plans to create a Center for Land and Housing Information and Registration and a Center for Real Estate Exchange are examples of this. PAR is reaching all sectoral departments of the city. Within the framework of the project, District I pioneered the use of the **"one-stop shop"** mechanism and created a group of professional public administration service officials. District I is also a pioneer in the use of information technology for administration management. An information network has been established that allows exchanges of information between the district and its communes/wards and other city agencies. Application of information technology is helping to make the administrative work more efficient, transparent, and timely. All these have changed the relationship between public administration staff and customers. The next step is piloting of competitive recruitment of civil service staff.

An internal assessment of the first phase of the Ho Chi Minh PAR project found that, as a center for resource support, the project:

- encourages new ideas;
- supports pilot PAR activities that city agencies and districts want to implement;
- supports the Steering Committee in evaluating and monitoring PAR activities;
- provides materials and information, and shares experience with, related organizations and other local government regarding PAR activities; and
- strengthens the capacity of beneficiaries to carry out PAR activities on a regular and sustainable basis.

Source: Mai Quoc Binh, Vice Chair of HCMC People's Committee, interviews, reports,

of administration service have been warmly welcomed by the general public. In fact, the Prime Minister has made a decision to introduce it throughout the country starting in January 2004. The Prime Minister's decision was announced at a workshop organized in June 2003 by the National PAR Steering Committee and attended by the Minister of Finance, Minister of Home Affairs and leaders of the 61 provinces.

The PAR projects helped to raise the profile of UNDP among the donor community. UNDP supported the government's efforts to

3. Source: More details of the measures taken are available in the review produced jointly by MOHA and UNDP for the 2002 CG meeting, "From step by step to a leap for ward" (December 2002)

mobilize funding and support from other donors. ADB recently signed a loan of 142 million US dollars to support implementation of the Master Plan, staff training and office modernization. This is the first time Viet Nam has borrowed for such a sensitive area as public administration reform.

Many development partners continue to ask UNDP to manage their support resources in this area. The most recent example is the PAR project VIE/01/024 designed to support MOHA in implementing the Master Programme. The donors' combined support is worth 5.5 million US dollars (2.5 million US dollars from UNDP and 3 million from Canada, the Netherlands, Norway, Sweden and Switzerland).

FUTURE SUPPORT

A newly approved PAR MP project contains an element called the **PAR Support Facility (PSF)** designed to provide rapid, coordinated donor assistance to the government for its reform agenda. The PSF allows the MOHA to respond quickly to requests for assistance from participating ministries, provinces or cities. The PSF is funded by a multi-donor contribution of 2.5 million US dollars and supports the initiation, recognition and replication of best practices in public sector management. One of the first activities of the PSF was to host the Prime Minister's "One-Stop Shop" conference in 2003.

The Programme Support Facility initiated under VIE/01/024 could become a flagship operation for the UNDP country office. The concept has worked well in other countries as a method for rapidly addressing problems identified by local agencies, and for informing stakeholders about successes and failures around the country. However, experience has also shown that such an innovative replication

mechanism can easily become bogged down in bureaucratic procedures that detract from its main objectives. Careful crafting is needed in establishing long-term allocation, implementation and monitoring arrangements.

Another UNDP initiative, newly launched in 2001, is the project VIE/01/010 – “Capacity Development for Effective and Sustainable **External Debt Management**”. This has the potential to be a good strategic initiative. External borrowing has increased significantly since the early 1990s. In a June 1999 article in *Viet Nam Economic Times*, UNDP's senior economist advised Viet Nam to “Say no to easy money”. Earlier, UNDP's 1998 publication, *East Asia From Miracle to Crisis: Key Lessons for Viet Nam* got the attention of the Party's Secretary General and heightened the awareness of senior policy makers on the importance of developing the country's financial self-reliance, building the domestic savings base and avoiding destabilizing foreign financial flows. These principles are now reflected throughout the government's financial policies.

The debt management project VIE/01/010 was developed based on a review of Viet Nam's external debt portfolio and strategy for repayment conducted in connection with the Legal Needs Assessment. By the end of 2000, Viet Nam's outstanding debt had risen to 14 billion US dollars. Categorized as a Heavily Indebted Poor Country, Viet Nam has an external debt of 41.2% of GDP (2003 estimate, IMF) with estimated debt servicing at 7.7% of exports of goods and non-factor services. While these debt levels are considered to be within sustainable limits, strengthening the capacity of the government to manage its external debt remains an important objective. It also provides an opportunity for UNDP to build its capacity in this important area, in cooperation with other stakeholders.

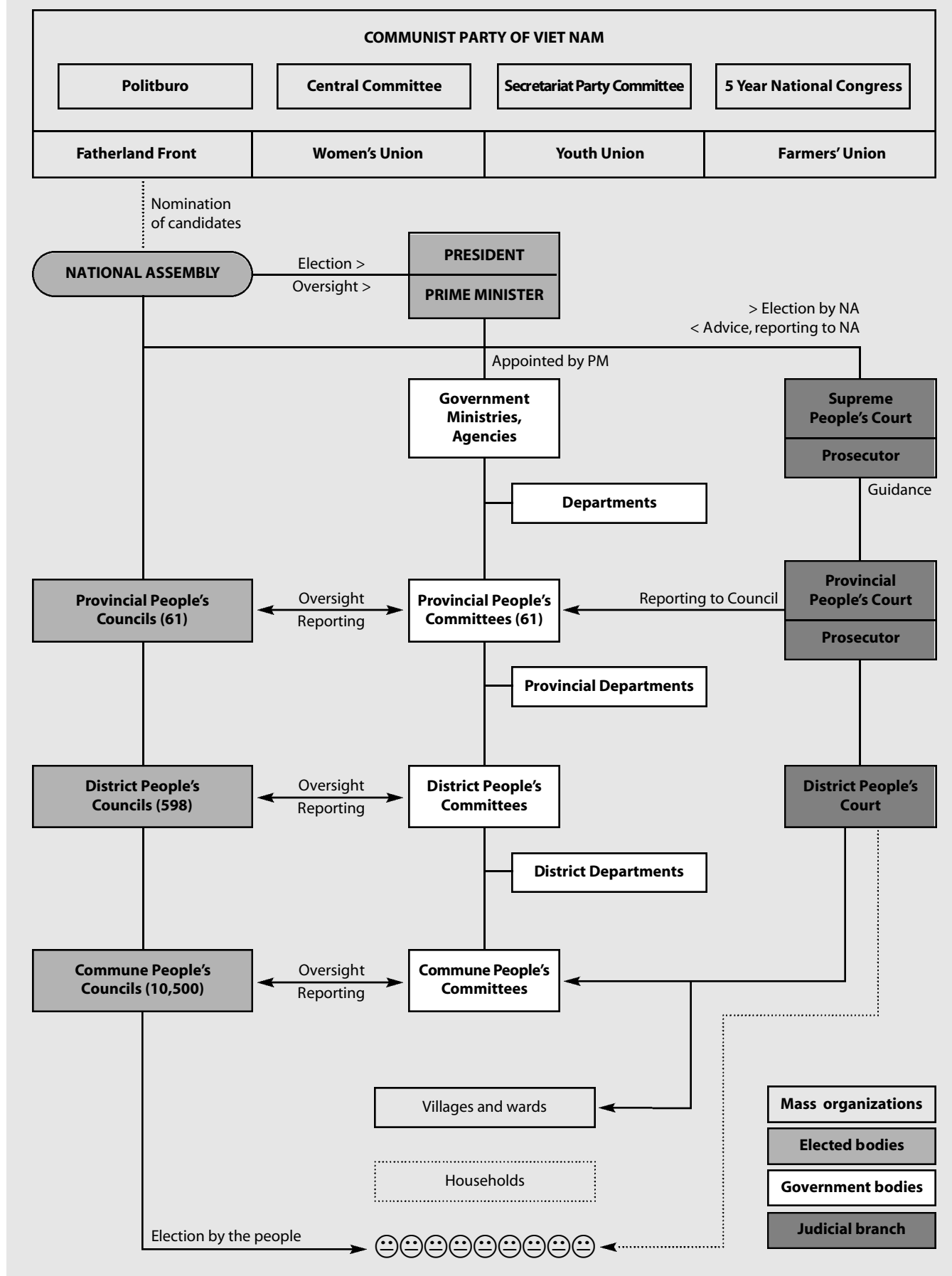


Governing institutions

In order to fully understand the complexities involved in reforming the governing institutions in Viet Nam, it is essential to understand the inter-relationships among the law-making and oversight bodies, the National Assembly and local government institutions, the judiciary, and other policy and decision-making bodies. Their mutual dependency and complicated authority structures are of key importance to public administration reform, as well as to decentralized governance.

As outlined in Figure 6 (see following page), Viet Nam is characterized by a “dual” system under which all levels of government have two types of bodies: elected bodies (councils) and the executive branch bodies (committees) that oversee the governmental departments. The National Assembly (NA) is the highest oversight body, and is the only national government institution with legislative power. The NA elects the Procuror-General and the President of the Supreme People’s Court, and the country’s President and Prime Minister. Members of the National Assembly are elected by the people from a group of candidates presented through the Fatherland Front — a Party mass organization. These candidates can be nominated by any state agency or mass organization, or can be self-nominated. There are similar procedures for the election of People’s Councils for provinces, districts and communes. The Councils in turn nominate the leadership of the executive branch Committees at the provincial, district and commune level. The

FIGURE 6: KEY GOVERNING INSTITUTIONS: A SIMPLIFIED PICTURE



legal system has an entirely separate structure, with a Supreme People's Court, and below that Provincial People's Courts, and District People's Courts. The Supreme People's Procuracy, under the NA, ensures compliance with the law by all (ministries, government organizations, and citizens). This complex system raises challenges for adequate and effective communication, both horizontally and vertically.

In 1992, the National Assembly approved a new constitution for Viet Nam, replacing the one from 1980. Under the new **constitution**, the Communist Party remained the supreme authority in the country — the “force leading the State and society”. A clearer distinction was drawn between the executive, legislative and judicial branches, although a lack of clarity remained regarding the roles and responsibilities of the different components (which is now being addressed through regulatory reform). In addition, the councils at the local level were defined as representative bodies of the state. In 2001, the National Assembly further amended the 1992 Constitution. The focus of these amendments was to:

- reinforce the ‘rule of law’ principle;
- enhance transparency and public participation;
- empower local authorities;
- improve public finance oversight capacity; and
- modernize the representative and legislative bodies.

SUPPORTING ELECTED BODIES

UNDP began to support the **National Assembly** in 1996. A UNDP programme (VIE/95/016 – “Technical Assistance to the Office of the National Assembly”) supported the National Assembly, and the People's Councils of three provinces. The focus was on improving internal information systems within the government bodies in order to improve policy decision-making and implementation. The project formulated a module for legislative research and drafting with the result that the legislative process was made more effective and efficient.

The UNDP/DTF project in Viet Nam was successful, because it supported a “home grown” national process.

“Lessons Learned Report”, August 2002

There was also a concern that the flow of information from the National Assembly to the provincial councils was not adequate. UNDP was asked to assist in upgrading the capabilities of elected members of the National Assembly and the provincial councils. Assistance was also provided to the Office of the National Assembly with the aim of assisting the Assembly in supervising the implementation of laws. The project was funded primarily by a Danish Trust Fund for innovations in participatory governance. Although the project (VIE/98/H01 – “Provincial People's Councils”) was meant to provide support at both the national and local level, it ended up providing more support at the national level. The second phase of the project will expand assistance to local councils from 3 to 16 (still a small proportion of the 61 provinces in the country). More financial support, from the government and development partners, would allow for more coverage among the provinces.

The **small-scale, pragmatic approach** taken by the UNDP and Danida during this first support to the People's Councils proved to be perfectly matched to the needs and desires of the government. The partners worked together to foster sustained capacity development in all the participating institutions. This had a profound impact on the ability of the government to develop domestic markets and integrate these markets into the regional and global economy while maintaining an essentially egalitarian society. The Minister of Justice remarked that the Government of Viet Nam appreciated the fact that UNDP did not just bring in laws from the outside, but worked with government organizations to produce laws that were locally relevant and consistent with the country's priorities.

Initial support to the National Assembly focused on its **legislative functions**. Over the past 15 years, twice as many laws were promulgated than during the preceding 40 years. The rate

BOX 4: THE MAIN OUTPUTS OF THE UNDP LEGAL AND JUDICIAL REFORM PROJECTS

Improvement of legal information network: The new legal information network created by the UNDP projects initiated electronic transmission of laws and decrees to all of the key legal institutions at the provincial level. The new network consists of over 200 computers located throughout the 61 provinces of Viet Nam, and Local Area Networks (LANs) in Hanoi and HCMC, that are able to transmit electronically and receive legal documents as they are drafted or adopted. CD-ROMs (Law Data and Your Lawyer) produced by the Office of the National Assembly contain the full text of laws and government decrees from 1945-2001 in a word-searchable electronic format that helps to improve public access to the legal documents.

Capacity building and broadening of horizons: Legal specialists from a number of countries and diverse legal systems were invited to come to Viet Nam to share their knowledge and expertise with Vietnamese counterparts. Short training courses were organized for each of the participating projects, covering a wide range of legal issues, and theoretical as well as practical skills. About 45 participants, including judges, judicial support officials, National Assembly support staff, and prosecutors, received long-term training abroad.

English language training: Over 400 participants, including more than 100 high-level officials, selected from the institutions involved and their branches in all the provinces, received training in English language skills. English is perceived to be of critical importance for integrating the Vietnamese economy into the regional and global economy.

Aid coordination and transparency: The three projects jointly produced a quarterly Resource Coordination Report which was put on the project website maintained by the Joint Project Office. The regular publication of the Report serves to circulate information about the project's activities and their continuing needs for capacity building for a wide range of interested parties and the donor community. This in turn helps to facilitate aid coordination.

Source: Sociology Institute Local Study.

thus far has been about 17 new laws each year. The government clearly recognizes the importance of continuing its legal and judicial reform efforts. Important legislation in recent years included laws on enterprises, customs, land, the value-added tax, bankruptcy, the civil code, banking, credit, and creation of the Labor Court. The recently passed Law on Promulgation of Legal Normative Documents now provides a standardized process for making, examining, evaluating and promulgating laws. As a result, the basic components of a working legal system have been established — a legal framework, law and treaty making processes, law-making and implementation institutions, basic and post-graduate legal education and professional training, and legal information dissemination systems.

However, most of the National Assembly members (or deputies) have had no previous legislative experience, and the full Assembly still only meets twice each year to pass laws. Only 25 percent of all deputies work full-time with the Assembly, up from 10 percent during the last electoral period. A National Assembly

with more full-time deputies and more frequent sessions may be required in the future if legal reforms in Viet Nam are to keep pace with the growing requirements of a dynamic economy. Secure property rights and legal transparency are needed to ensure that entrepreneurs continue to see advantages in investing in productive activities.

The laws approved by the National Assembly are available electronically, and the parliamentary debates are now shown on television. However, the numerous regulations and directives, as well as local laws and instructions, are not as easily available. Information technology could help disseminate information more widely to government agencies, the legal community and the general public.

The Constitutional amendments, together with the amendment of the State Budget Law, the implementation of provincial and city pilots, the PAR MP and the PER activities, plus initiation of the Grassroots Democracy initiative have generated some pressure for continued modernization of elected bodies at all levels. While the law enables the National Assembly to request votes of confidence on ministers and play a stronger role on budget oversight, the executive branch still remains the strongest of the three. This imbalance often becomes more apparent at the local level. The attention is thus shifting to the **oversight function** of the elected bodies.

REFORM OF THE JUSTICE SECTOR

The **initial efforts** in reform of the justice sector focused on building the capacity of government staff to draft laws and review and systematize the **legal documents** promulgated since 1976. This was done in order to facilitate the preparation of a legal framework that would incorporate market activities and environmental protection. The initial project (VIE/94/003 “Strengthening legal capacity in Viet Nam”) ran from 1995 to 1998, followed by the project VIE/98/001 (1998-2002), which added support for dissemination of laws and legal documents electronically to the public. (Box 4 shows the key outputs of these projects.)

Also in the mid-1990s, UNDP initiated support to the **Supreme People's Court** that focused on judicial training and exchanges. This project was linked with support to the Procuracy ("Strengthening the public prosecutorial capacity") as well as with the National Assembly project. This was the first international assistance to the Vietnamese courts. All three projects were co-funded by the Government of Denmark, which participated in their formulation and implementation. These initiatives were not designed as stand-alone projects, but were part of a larger programme with elaborate coordination and exchange activities, and shared resources. A Joint Project Support Office was established to ensure smooth coordination among the three projects. This approach allowed project implementation to be more efficient, and fostered collaboration among staff of the institutions involved.

Regarding judicial independence and other related issues, UNDP has helped Viet Nam to familiarize itself with other systems and modify its own in accordance with its own requirements, and this will continue to be useful in the future. For example, a UNDP partnership with the American Bar Association resulted in the incorporation of a number of suggestions on the appointment, tenure, transfer, power and independence of judges in the recent Ordinance on Judges and Assessors of the People's Court. UNDP has advocated for the principle of fair access to justice as part of its legal reform portfolio, for example in the draft Legal Sector Development Reform under review and the National Assembly discussions on the revision of the Criminal Code. The National Assembly discussions have focused on the need for involvement of defense lawyers from the beginning of case investigations, for open arguments at trials with the full participation of defense lawyers, and for fair convictions based on the outcomes of the arguments, as well as investigation files. The fact that such critical issues have been raised by the National Assembly is a positive step towards fair and transparent access to justice.

The recent "Comprehensive Needs Assessment for the Development of Viet Nam's Legal System to the year 2010" (commonly referred to as the **Legal Needs Assessment** or LNA) was a major turning point in legal and judicial reform. The LNA showed the Government of Viet Nam taking strong ownership and playing a lead role, while development partners provided critical inputs to the ongoing reform efforts. UNDP coordinated donor support for the Legal Needs Assessment. UNDP was invited to play this coordination role because of the credibility it had built up with the Justice Ministry and the National Assembly through the successful implementation of its long series of legal support programmes, beginning in 1994. At that time, support to the legal system was a sensitive topic and only UNDP, with its neutral status, was asked to assist.

The LNA identified 250 priority policy issues in the areas of:

- Judicial reform
- Effective implementation of laws and regulations
- Legal education, judicial and legal professional training
- Legal information and legal dissemination
- Legislative and law making reform
- Mechanisms for management and steering of strategy implementation.

The immediate follow up to the LNA was the preparation of a **Legal System Development Strategy** (LSDS). The LSDS was submitted to the government in draft form in 2002. Once approved, it could greatly speed up the process of legal reform, provided implementation problems are tackled promptly. Despite the impressive increase in the number of laws passed over the last five years, there is a continuing need for more legislation that can simultaneously support market development, international integration and accession to the WTO. Viet Nam faces a daunting challenge, with only 2000 lawyers in the entire country eligible to represent clients before the courts. Thus, human resource development, an area where UNDP has shown unique ability in the past, is still a major priority. (See Box 5 for a list of future priorities.)

BOX 5: EXAMPLES GIVEN BY THE MINISTER OF JUSTICE OF LEGAL REFORMS NEEDED

- Revise the laws on domestic and foreign investment to combine them into one
- Revise the Taxation Law to comply with AFTA requirements
- Revise the Enterprise Law and Cooperatives Law
- Revise the Civil Code, with a focus on protection of intellectual property
- Revise the Anti-monopoly Law
- Prepare or revise laws relating to land, labor, intellectual property, natural resources, technology, science, health, education, training and sports
- Improve the institutional structure of legal bodies
- Upgrade judicial support elements, such as notaries

Enforcement mechanisms are needed that will ensure that new laws actually result in behavior changes necessary to sustain growth and ensure equitable treatment of all citizens. The area of enforcement includes issues related to transparency and prompt availability of decisions and verdicts, ability of the poor to access the judicial system to seek redress, including against government agencies, and, perhaps most importantly, fair and predictable application of the law.

Although past support mechanisms have worked well, some basic problems remain: lack of trained personnel; lack of full knowledge of international best practices; the need to speed the preparation of new legal instruments; and the need to ensure fair and predictable implementation of the law for all people in all areas. Strengthening law-related institutions by increasing knowledge, skills, and access to legal information is a sustainable way for UNDP to support Viet Nam in its transition to a state ruled by law. ‘Upstream’ policy-informing projects work best when they are associated with organizations and individuals that are ready to acquire new knowledge on their own. This marks the difference between a legal reform assistance programme that focuses on the preparation of substantive laws and one that focuses on building local capacity to prepare new laws.

FUTURE UNDP SUPPORT

Successful implementation of the previous National Assembly project paved the way for UNDP to expand its coordinating role in two new projects recently approved by the

government. The first (VIE/02/008) is focused narrowly on building the capacity of the **National Assembly Committee on Economic and Budgetary Affairs (CEBA)**, in cooperation with the Ministry of Finance, the State Audit Board and 11 provincial councils. The purpose is to strengthen the budget preparation process and build capacity for budgetary oversight by representative bodies. The coming law on the roles and functions of the People’s Councils, and the local election law, will be important steps forward. The evaluation suggests that support to the National Assembly should be closely linked with the Regional Project on Economic Integration, especially its Thematic Trust Fund (TTF) activity on building legislative understanding of global integration. There is also scope for promoting gender mainstreaming in a more systematic manner through linkages with activities relating to gender equality.

The second project (VIE/02/007) represents a direct continuation of the general capacity-building model adopted during the first phase of the **Provincial People’s Councils** project, expanding it to include 14 provincial councils. This expansion is timely, as the national government has placed considerably greater responsibility in the hands of the provincial governments. The project will aid in the spread of innovations among provinces to promote a healthier balance of functions, power and responsibilities between the People’s Councils and the Committees. However, greater coverage would be desirable. Once the Facility operation under the PAR Master Programme has been successfully tested, a similar operation could help raise the necessary funds for more support to local People’s Councils and Committees. In fact, the activities of the PAR Master Programme should be closely synchronized with capacity-building for the elected bodies, with the final aim of a coherent system of balance of powers and responsibilities within which each institution or body or branch can play its role effectively.

Regarding judicial reform, UNDP has committed itself to long-term assistance to Viet Nam’s

legal and **judicial reform** process through the project VIE/02/015 – “Assistance for the Implementation of Viet Nam’s Legal System Development to 2010”. UNDP support to Legal System Development Strategy (LSDS), developed on the basis of the LNA, covers:

- identifying further needs for legal system development and carrying out some specific priority actions in support of drafting of laws and ordinances;
- establishing a managerial structure for coordination, management and monitoring of the implementation of the LSDS 10-year strategy; and
- setting up a Legal System Development Facility (LSDF) to mobilize resources and other inputs.

The possibilities for decentralized governance depend to a large extent on enhancement of capacities at the local level. This applies to both the executive and the legislative branches. Local judicial capacity is also essential for industrialization and business creation across the country. At the same time, the ability of the people to actively take part in the management of development resources in their community calls for strengthening of public participation in policymaking, law making, implementation

Human rights issues represent a new area where UNDP’s assistance is expected to increase in the future. UNDP has recently become more active in this highly sensitive area where long-term advocacy and efforts are likely to be needed.

and oversight. With its involvement in all of these fields, UNDP is well placed to support localized capacity building.

Human rights issues represent a new area where UNDP’s assistance is expected to increase in the future. UNDP has recently become more active in this highly sensitive area where long-term advocacy and efforts are likely to be needed. The National Political Academy requested assistance from UNDP to build capacity in assessing the status of human rights in the country. The academy is both an influential research and think tank for the Communist Party of Viet Nam and a training institution in leadership for director-level officials. A project document has been approved to initiate activities with the Research Center for Human Rights focusing on awareness raising and advocacy regarding a rights-based approach to development.



6 Local participation in decentralization

The previous sections on public administration reform and governing institutions have discussed the key elements of the Viet Nam approach to state management. In view of the future challenges of decentralized governance, this section discusses further some of the achievements and challenges at the local level, specifically with regard to local planning and participation within a decentralized framework.

BACKGROUND

Although there is, as yet, no formal framework for decentralized governance in Viet Nam, decentralization is a critical aspect of the government's overall governance reform plan. The term 'decentralization' implies the acceptance of a subordinate relationship to a national authority. This characterizes the current situation in Viet Nam. Local authorities have been granted certain rights in the Constitution and various subsidiary laws and decrees, but these rights need to be clarified and supported fully in practice if enhanced competence at the local level is to be achieved.

However, it is not useful to try to decide whether the local governing arrangements in Viet Nam are devolved, deconcentrated, delegated, or

BOX 6: THE MAIN GOVERNMENT PRIORITIES FOR DECENTRALIZATION

- Ensure **uniform state management**
- **Strengthen local bodies** and require them to increase their responsibility and accountability
- Implement the principle of **subsidiarity**
- Ensure **comprehensive** decentralization in terms of authority, responsibility, budget, organization
- Strengthen government monitoring and evaluation of performance
- Carry out decentralization in a consistent, **step-by-step** manner, and in the form appropriate for each unit
- Build **capacity** of staff

divested from the center. They are a combination of all four. This is because the current arrangement is the result of an evolution of the governing framework, highly influenced by the Communist Party, which predated the successful conclusion to the war in 1975. Thus one finds today an arrangement that involves substantial local discretion for decision-making within a seemingly tight hierarchy.

A major step in the direction of local governance was the issuance of a decree in 2001 on the reorganization of the specialized agencies of the provincial and district People's Committees. This decree authorized provincial governments to make decisions regarding the structure of district administration. Fiscal decentralization increased considerably with the passage of the State Budget Law in 2003. With regard to political decentralization, the local bodies (councils) are not politically autonomous, but are designated by the 1992 Constitution as 'local organs of State power'. The Communist Party continues to play a guiding, but decisive, role in decision-making at each level of governance, although less so than it did prior to 1992. The role of the Councils may soon change, moreover, with the Law on Organization of People's Councils expected to be completed by the end of 2003.

The Ministry of Home Affairs (MOHA) reported that the national government was beginning to look beyond the provinces to the districts for public service delivery. The National Assembly has agreed that clarification of roles and responsibilities should be completed prior to the next round of local elections, currently scheduled for 2004. According to a senior

deputy of the National Assembly, the revision of the Law on the Organization of People's Councils is meant to foster greater application of the subsidiarity principle. Proposals on decentralization in the areas of (1) economy and budgeting, (2) culture, education, health, and sciences, and (3) organization and personnel, are being studied by the government. (See Box 6 on governmental priorities in decentralization.)

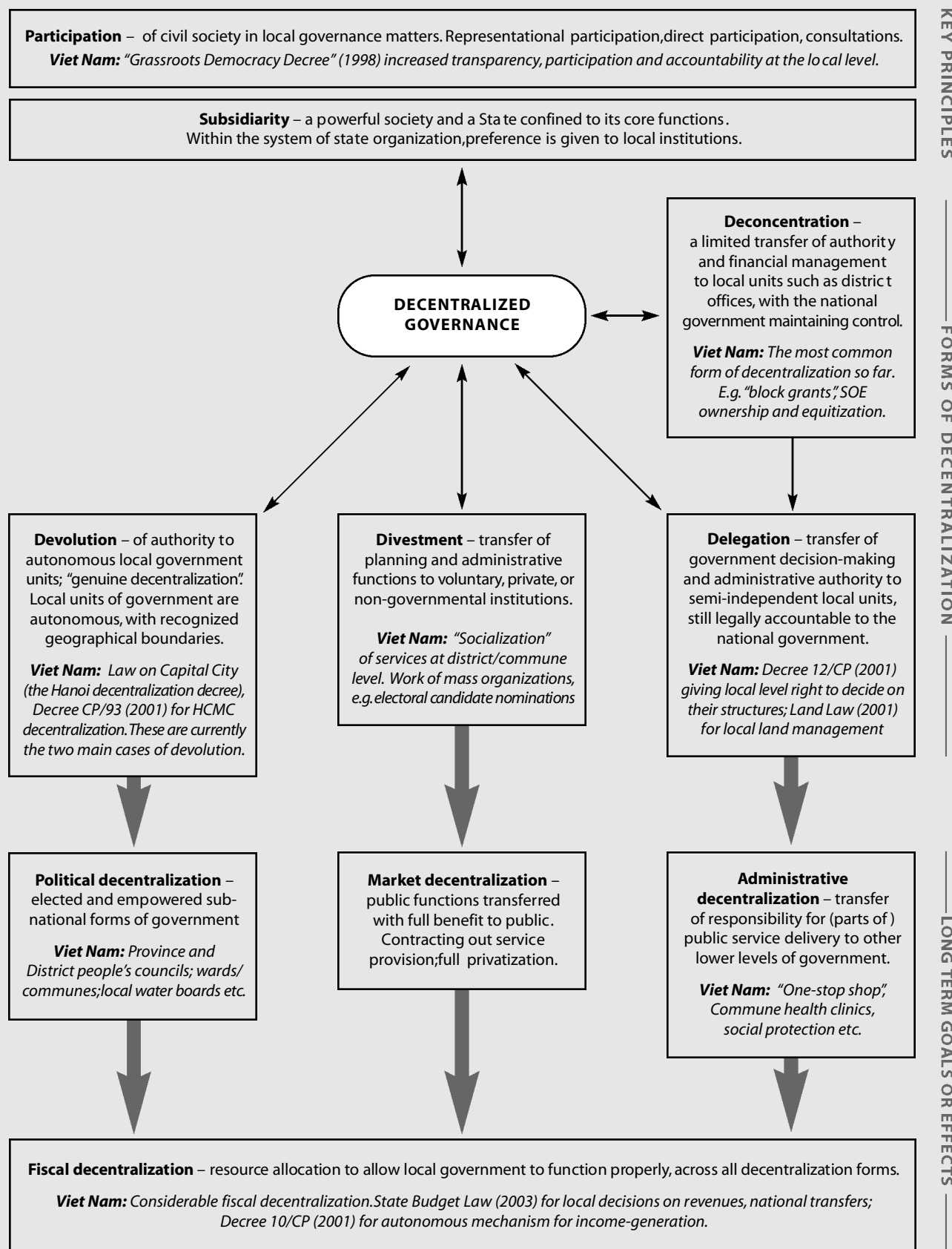
Figure 7 illustrates the decentralization framework in Viet Nam, with selected examples of initiatives within the different forms of decentralization.

The most extensive delegation of authority has taken place in the two largest cities. **Hanoi** is governed by the Law on the Capital City. In **HCMC**, Decree 93/CP (issued in December 2001) provides the city with a special status, granting it substantial autonomy in socio-economic planning, land administration, infrastructure development and civil service management. Other provinces still follow regulations in the Law on Local Government. The evaluation was informed that several provinces have already expressed interest in greater autonomy, but it has not yet been granted by the national government. However, it is expected that research into the outcomes of the implementation of the HCMC autonomy decree will influence the amendment of the Law on People's Councils and People's Committees. The UNDP PAR pilot in HCMC was an important project that supported the decentralization focus of the HCMC City Act in 2001. The combined lessons learned from the series of PAR pilots around the country added to the knowledge base of the government while it was developing its decentralization agenda and PAR MP.

There is also extensive **fiscal decentralization** at the district level in Viet Nam. Although decentralization was initially limited to decision-making for planning, in 1999 this was expanded to include budget management as well. In fact, it is estimated that 43% of total government spending takes place at the sub-national level, including 63% for health and

FIGURE 7: A DECENTRALIZATION FRAMEWORK

Decentralization: the process by which authority, responsibility, power, resources and accountability are transferred from the national level to sub-national levels. It relates to the roles and relationships of national and sub-national institutions, whether they are public, private or civic.



73% for education (World Bank Public Expenditure Review 2000). The 2003 amendment of the State Budget Law further strengthened decentralization by allowing provinces to have greater decision-making power regarding the use of funds transferred from the national government as well as local revenues. Much of the national funding is now allocated to the local administrations in the form of earmarked block grants. This raises great opportunities — and challenges — for the participation of the public in deciding on the use of funds.

DECREE ON GRASSROOTS DEMOCRACY (DGD)

The “Grassroots Democracy Decree” has provided the legal basis for strengthening the participation of local communities in government decision-making and supervision of activities that affect their lives. It requires local authorities (in provinces, districts, and communes) to keep people informed about 14 areas of activities. (See Box 7.)

This initiative came in response to clashes between villagers and local officials in a few provinces over the extent of corruption. Although promulgated in 1998, the decree has only recently begun to receive serious support,

so that the degree of implementation varies. In September of 2001, the Institute of Sociology conducted a study on implementation of the decree at the request of the government. The study indicated that so far the decree has had a limited impact on the nature of the relationship between the government and the people at the commune and village level.

LOCAL PARTICIPATION

Within Vietnamese society, public participation takes place primarily through (a) mass organizations; (b) NGOs; and (c) community based organizations.

The Vietnamese mass organizations have so far played a critical role in the country’s development. They provide an efficient mechanism for mobilizing local support for national policies, and at the same time serve as a channel for voices from local communities and interest groups. The mass organizations operate at all levels, and represent the interests of different social groups. They are not entirely independent, as they depend on the government for support and direction. They mobilize their group members to address local concerns, implement government policies and participate in monitoring the operations of the government. Among these organizations, the Fatherland Front, Women’s Union, and Peasants Association are most influential at the commune level. The leaders of these organizations are often invited to attend meetings of the commune leaders to discuss important decisions for the commune. Many of their leaders are also members of the local People’s Councils as well.

There are a number of forms of community-based organizations set up voluntarily by people at the grassroots level to manage natural resources and promote development for sustainable livelihoods. These include water-users groups or cooperatives established in various locations in Viet Nam. These organizations have demonstrated their value by managing water resources for local benefit, within the context of a government policy to transfer

BOX 7: THE GRASSROOTS DEMOCRACY DECREE: AREAS OF TRANSPARENCY

- Law and government policies
- Administrative procedures relating to people’s lives
- Annual and long-term socio-economic development plans
- Land use planning
- Decisions of People’s Council and People Committee that relate to people’s lives in a commune
- Commune budget plans and accounting for budget implementation
- Budgets and accounting for development projects in communes and villages
- Programs and projects funded directly for communes by the government or other organizations
- Guidelines and plans for credit for production and poverty reduction
- Regulations on adjustment of geographic administrative boundaries/units relating to the commune
- Results of inspections, monitoring, and solutions for wrong-doing and corruption by cadres
- Cultural and social work, ‘prevention of social evils’ work, maintenance of social order in the commune
- Annual reports of activities of commune People’s Councils and People’s Committees
- Other activities about which it is deemed necessary to inform people or people request information

water use rights to local communities. This has allowed the national government to reduce its role in water management, and shown the value of close partnerships between local NGOs and local government bodies. The first such 'Water Boards' grew out of UNDP-supported projects. The challenge is now to expand that achievement to other elements of local planning and resource management.

The principle "people know, people discuss, people execute and people supervise" (which has been repeatedly mentioned in documents and policies of the Viet Nam's Communist Party) reflects the wish of the government to encourage every social organization and citizen to participate in formulating, implementing and monitoring policies. As the philosophy and policies of the government have been modified over the years since the advent of *doi moi* in 1986, a small opening has been created for "Vietnamese NGOs", many of which have been supported by the interventions of international NGOs. These local organizations have been created under the rubric of cultural and health associations, technical centers, scientific institutes and consultancy and development centers. Table 3 presents examples of two such organizations.

With increasingly complex development issues and emerging decentralization, it would not remain useful for the government to handle all social issues through its own network of generalist mass organizations. Focused organizations devoted to local issues or problem solving in well-defined areas clearly have an advantage, as exemplified by the HIV/AIDS Community Center. In the near future, mass organizations are likely to coexist with growing numbers of civil society organizations, each relying on their respective comparative advantages.

Also, 'Local Development Groups'⁴ have been created and have become accepted by local administrations as useful mechanisms for enhancing the government's ability to 'co-produce'

In Tra Vinh, the capacity building aspect of the UNDP supported project "is still limited to the members of the project management board and some of the provincial leaders who directly participate in the project, and little experience has been shared with a broader provincial leader circle".

A project leader in Tra Vinh

public goods, with substantive citizen input, review and, at times, direction. Many of these are institutions established by donor projects, but increasingly the government has recognized their value in reducing the costs of operating and maintaining local public services by encouraging people to take on more responsibility for themselves.

However, where participation or consultation takes place, as in the UNDP Tra Vinh project, it is often limited to identifying beneficiaries' needs. A similar situation was observed in Tuyen Quang, and it was also noted that poor women and ethnic minority people participated less actively. Without public participation in project implementation, monitoring and evaluation, useful feedback will not be easily forthcoming. Unsustained participation is a common weakness in many aid projects.

TABLE 3: EXAMPLE OF TWO ORGANIZATIONS

One example of a local NGO is the Vietnamese Community Mobilization Center for HIV/AIDS Control , formed through the Viet Nam Union of Science and Technology Associations. The founder is the ex-vice chairman of the National AIDS Prevention Committee. The purpose of the organization is to conduct scientific and social research to help propose HIV/AIDS prevention and control solutions as well as to provide counseling and information dissemination for its victims. The Center has established wide-ranging contacts with international organizations and receives funding from UNDCP, the World Bank and Unicef, although it has only eight full time staff.	At the other extreme, the Viet Nam Women's Union has a membership of tens of millions with an organizational system that stretches from the national down to the village level. Union members have actively participated in various movements and drawn entire local communities into activities relating to productive credit, poverty eradication, safe water and sanitation systems, housing repairs, education and primary health care for women and children, and the prevention of social evils, among others. The leader of the VWU also leads the National Committee for the Advancement of Women (NCAFW), which answers to the Prime Minister.
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4. Fritzen, Scott "Donors, Local Development Groups, and Institutional Reform over Viet Nam's Development Decade," *Viet Nam Update Conference*, November 2001.

“NGOs were pioneers in using participatory methods, but support from UNDP has been most systematic and significant. UNDP has helped to develop local participatory planning processes. The UNDP offered a comprehensive participatory methodology for the overall development process, and we see it as a means to carry out grassroots democracy.”

An officer in the Ministry of Planning and Investment

The government appears to recognize the importance of participation, given the passage of the Grassroots Democracy Decree. Clear guidance is needed, however, to enhance nationwide implementation and participation in areas where it is needed the most, especially in the poorer parts of the country. Support to grassroots democracy is also one of the cross-cutting strategies of the CCF-2, but active cooperation among NGOs, and development partners has been constrained by national law and political convention. Thus, UNDP does not have a strong record of working with NGOs in Viet Nam; its contribution is more measurable in local planning mechanisms.

THE UNDP CONTRIBUTION TO LOCAL PLANNING

Participatory methods were used by some international NGOs in Viet Nam in the early 1990s. For example, SIDA introduced Participatory Rural Assessment (PRA) in 3 communes in 3 districts in Tuyen Quang in 1993. However, UNDP was among the first donors to *systematically* introduce participatory methods in Viet Nam. Villagers were introduced to methods for bottom-up planning and mobilization of participation of local people in project planning, implementation, monitoring and evaluation processes. In the past, activities of this type were usually managed by district or provincial level institutions, and many commune people did not even know about them.

Many UNDP rural development projects were implemented as pilot projects that gave

more power to districts and communes to manage and organize small-scale infrastructure construction, manage budgets, account for expenditures, and be responsible for monitoring and maintenance of construction. In some projects, the provincial governments accepted this new approach. Projects, such as the Rural Infrastructure Development Fund in Quang Nam and the Participatory Resource Management Project in Tuyen Quang saw their interventions institutionalized through the issuance of provincial-level regulations.

One of the longest running and most innovative of the UNDP rural development projects is located in Tuyen Quang Province (**Participatory Resource Management Project – PRMP**, 1994-2000, IFAD capital assistance with UNDP technical assistance). PRMP has had significant and encouraging results, especially in terms of participation, decentralization, and institutional capacity-building processes contributing to the poverty alleviation programme in the province. Tuyen Quang was among the first provinces in the country where the Chair of the Provincial People’s Committee granted full ownership rights to infrastructure investment projects to the respective communes. Since 1996, the Tuyen Quang provincial People’s Committee has also issued a number of policy documents enhancing decentralization within the province. Currently, the provincial authorities are applying principles learned through the project to implement the National Program 135 on poverty alleviation. According to independent analysis, Tuyen Quang province is the only province in the country that has fully implemented the authority granted by the national government to shift project decision-making to the commune level.

Another important project is the **Rural Infrastructure Development Fund (RIDEF**, 1996-2002). RIDEF, created by UNCDF and later joined by AusAID and UNDP, was among the first projects in Viet Nam in which donors worked directly at the provincial level. The project was designed to pilot a decentralized planning process for delivery of small-scale, pro-poor infrastructure in the 122 poorest

communes located in 14 districts of Quang Nam province and a rural district of Da Nang. In order to accomplish this, the project piloted new methods for decentralized planning, financing and delivery of public infrastructure in Viet Nam. A significant outcome of this assistance was **enhanced local capacity** to manage regular development programmes. Beginning in 1999, the Quang Nam Provincial People's Committee issued a number of policy documents creating a favorable legal framework for decentralization at the district and commune level related to the approval of reports on investment, technical design, accounting, bidding plans and selection of contractors.

The RIDEF project introduced the concept of local cost sharing wherein project resources only amounted to 80% of the total resource base for the project. The remaining part was contributed by the beneficiaries in the form of money, materials, or labor. This initiative, linked to the UNDP area development programme on poverty reduction in Quang Nam, has been one of the more successful flagship projects. The beneficiaries themselves have been very aware of achievements in local planning, and have expressed their interest in serving as a "model". (See Box 8.)

The success of RIDEF is said to have influenced the design of the national program for support for poor communes, the National Program for Hunger Eradication and Poverty Reduction (Program 135), the spirit of CPRGS, the Grassroots Democracy Decree, and a number of other projects supported by other donors. A project leader reported that in Quang Nam, the district now has full decision-making rights and budgetary control over the implementation of National Program 135 in the district area, and that the methods used in the RIDEF project are being used for implementation of Program 135.

New projects are currently being developed with very similar approaches to those used in the UNDP area poverty programmes and RIDEF, including the recently approved ADB/Japan Special Fund for the Central

"(Local cost sharing) increases the responsibility of people during the implementation process as well as the processes of utilization and maintenance at later times."

Mr. Tran Kim Hung, Project Director

Region Livelihood Improvement project. Sharing of lessons learned becomes even more challenging in such a dynamic environment.

Members of the capacity development team for the project in Quang Nam were invited to serve as trainers on project development and implementation for officials in 19 districts of the Thua Thien-Hue and Soc Trang provinces, where there are rural development programs supported by FINNIDA and CIDA. The lessons learned from the RIDEF project have also been used in the implementation of the Ministry of Planning and Investment's CBRIP project, funded by the

BOX 8: LESSONS LEARNED FROM THE RURAL INFRASTRUCTURE DEVELOPMENT FUND (RIDEF)

Effect: RIDEF projects (VIE/95/C01, VIE/97/041, VIE/98/C01) developed a new approach to management and supervision that empowers local governments and communities. Through a 9-step local planning and implementation process, villages identify their own needs and develop investment projects that are submitted to communes. Communal Development Boards are responsible for transparent project management and implementation; they receive funds through the District Treasury, and technical backstopping from district and provincial level institutions. The project helped 122 communes in Quang Nam and Da Nang City to rehabilitate and construct over 800 rural facilities, such as health clinics, irrigation schemes, small bridges, access roads, schools, markets and power supply systems.

Replication: The province adapted guidelines developed by the project as a framework for decentralization. The RIDEF capacity-building team also trained local officials from 19 districts covered by other projects. However, the extent to which RIDEF's key features have been institutionalized remains limited. The Local Planning Process model has had special difficulties in being adopted and implemented in remote and mountainous districts.

Cost: RIDEF demonstrated that with appropriate support, communes and districts are capable of identifying, planning and delivering small-scale infrastructure projects of potential benefit to the poor. Promoting and facilitating a local development process, however, involves added costs. With a total UNDP/UNCDF budget of almost 10 million US dollars, the average cost per commune amounts to 80,000 US dollars. For expansion on a larger scale, the methodologies and strategies used in implementing the RIDEF projects may need to be adapted. Moreover, now that some infrastructure funded by RIDEF has been in place for several years, lack of adequate maintenance is emerging as an issue that needs to be addressed.

Although many features of RIDEF have now become widely accepted, it was very clearly a highly innovative project when it started in 1996. It represents a valuable model upon which to base wider reforms aimed at devolving planning and budgeting responsibilities to local authorities in Viet Nam.

Sources: RIDEF – Lessons for Decentralized Planning, Financing and Delivery of Public Infrastructure in Vietnam, UNCDF, 2002, Briefing Notes for the Visit of UNDP/UNFPA Executive Board Members to Vietnam, UNCDF, 2002, interviews.

“Technical support from UNDP is very good. We use the lessons learned from them not only for project implementation, but also for development programmes funded by the Vietnamese government. Now we implement the National Program 135 in the same way as we did in the (RIDEF) project.”

A project leader in Quang Nam

“The ... Tuyen Quang assessment... convincingly demonstrates the real contribution to poverty reduction stimulated by the injection of moderate investment funding into a decentralized and participatory institutional framework.”

Evaluation report

World Bank, which covers 13 provinces in central Viet Nam.

Over the years, UNDP has carried out a number of what might be called standard rural development projects. During much of its early period, UNDP focused attention on micro strategies for rural financing and food security. Many of the projects related to food production, agriculture support services and aquaculture. However, the projects that have had the greatest institutional impact have been those that focused on enhancing the power of individuals and communities to take greater control over their own development.

The replication of local planning pilot projects in other locations and on a nation-wide basis has not been systematic. Even though local planning models may have influenced national frameworks, their application in other communes is not apparent, even in the same provinces. For example, it was reported that within Tuyen Quang, commune leaders seem to complete the RIDEF project activities much more than other development activities of similar nature in the same commune. This points to the fact that diffusion of project innovations is not automatic, and it may require considerable additional effort.

Sufficient time has passed since the beginning of these projects to allow for some meaningful evaluation of their impact on **poverty reduction** objectives. In Tuyen Quang province, a participatory evaluation of comparative wealth ranking in two communes in 1995 and 1998 indicated that the incidence of poor and very poor households declined at an annual rate of 4.5%. Further research indicated that the trend was attributable to specific provincial socio-economic policies and to project investment and capacity-building support, as well as to the overall growth rate of Viet Nam's economy.

Although public participation in the development process can be a catalyst for equitable growth, it is often difficult to measure the impact of such change. Improvements in the government's ability to accurately **measure people's standards of living** — in rural and urban areas — have helped to guide the direction of development policies and to point out some of the critical issues that remain to be addressed. The Viet Nam Living Standards Survey, conducted in 1993 and 1998 with assistance from UNDP and SIDA, was carried out with a sample size that produced results that could be disaggregated only to the regional level. This is now being merged with the government's in-house survey method to create a new Viet Nam Household Living Standards Survey that will be carried out biannually with a sample size large enough to generate provincial level data. Already a positive contribution to poverty measurement, this is likely to be of greater importance as Viet Nam moves on to address the remaining pockets of poverty. However, additional efforts are needed to improve the integration and application of such monitoring and measurement instruments in poverty programmes and projects. Part of the skepticism encountered regarding the effect of direct support projects in Viet Nam stems from a lack of demonstrated impacts.

Currently, a number of experimental programmes have been undertaken by the government, development partners and NGOs. Many have been evaluated positively, showing that new participatory approaches are adaptable to the

Vietnamese institutional milieu. The critical questions now are whether these approaches will become institutionalized by the local administrations, and whether new pilots will be undertaken in more sensitive areas.

KEY CHALLENGES

A number of obstacles to decentralization and participation remain, many of which are linked to changes needed in customs and behaviors. Working in the context of decentralization poses new requirements in terms of skills and work culture that are challenging for staff at all levels. The needs include: (a) coherent delegation of tasks that are best undertaken at the local level; (b) matching of resources with the tasks being delegated; (c) capacity-building at all levels; (d) increased confidence in the capacity of local staff and a greater sense of independence at the lower levels of government; and (e) effective information flows and coordination among sectors and levels of administration.

- Communes rely on local revenues for between 30% and 70% of their total spending. It is difficult for provinces to correctly estimate the revenue they will be able to transfer and there are no detailed analyses of the impacts of the block grant expenditure system or 'socialization' on social service delivery and infrastructure development. Poor households may end up paying disproportionately more than others because many fees are collected in the form of fixed fees for service.

The national government has made some attempts to foster a redistribution of revenues from rich communes to poorer ones, but much foreign and state investment goes to a limited number of highly developed locations, such as Hanoi, Hai Phong and Ho Chi Minh City. The impact of this seemingly inequitable **revenue distribution** pattern is beginning to be seen in the

growing disparity in economic growth and socio-economic indicators between rich and poor localities. This pattern is visually apparent in maps contained in both the National Human Development Report and the Millennium Development Goals Reports. Development partners are particularly concerned that implementation of the CPRGS may be uneven because of the highly decentralized governance framework.

- To keep track of decentralization, it is important to develop systems that measure changes in **performance** at the local level. The systems that tend to work best are those designed to enhance dialogue between local leaders and their constituents concerning the quality of service delivery quality. A number of performance measurement tools have been put in use in various countries of the region that may be of interest.⁵ Performance monitoring systems can also include mechanisms that support horizontal peer-peer learning and improved feedback processes that help local and national government units know whether pro-poor outcomes are being achieved.

One area where innovations are required is in the field of assessment and **analysis of social change**. Thus far it appears that the greatest emphasis has been placed on improving formal statistical collection and analysis. This is a valuable capacity-building measure; it is critical for the nation to have the capability of assessing its own progress in comparable quantitative terms. However, statistical analysis would only indicate what the situation is and not explain *why*. More qualitative analysis and dialogue-based tools are needed to reflect people's voices. Mechanisms that enable people to create their own development measurement tools can help them better understand their situations, compare themselves to their neighbors and begin to set their own development goals.

5. Possible options include the Social Audit approach, a strongly quantitative methodology that is being used in Pakistan, or another more qualitative option — the Rapid Decentralization Assessment methodology used in the Philippines and Indonesia.

■ **Clarification of roles and responsibilities** between national and local units of government is essential for ensuring proper implementation of national policies and effective monitoring of expenditures as well as results. The combination of weak local capacity, lack of functional oversight mechanisms such as auditing and reporting systems, and lack of clarity about responsibilities increases the likelihood for mismanagement of resources — and even corruption. In some cases, officials have formed close alliances with the new class of private sector contractors, and weak oversight and enforcement capabilities within the government, plus the lack of an effective people's voice, allows this nexus to flourish. However, attempts have been made to address such weaknesses; for example, one of the most significant court cases in Viet Nam charged a very large number of officials in HCMC with corruption and extortion. Given the extensive involvement of a number of development partners in this area, it is also important to clearly delineate responsibilities among them that reflect their different comparative advantages.

■ One institutional barrier to the participation of local communities and citizens is the **lack of information** about policies, laws and regulations, socio-economic development strategies and plans. The recent UNDP assessment of the National Target Programme for Hunger Eradication and Poverty Reduction (HEPR – Programme 133) and Programme 135 for Socio-economic Development in Communes with Extreme Difficulties, revealed that few local communities have been given the authority to participate in decision-making, management and monitoring processes for these programmes. Decision-making mainly takes place at the provincial level and programmes often lack the flexibility to accommodate local people's inputs. Part

of the reason for this may be a lack of tools or experience in information-sharing techniques that facilitate participation of local communities and citizens.

■ As the decentralization process evolves, the need for modern **information systems** will increase, especially in the local governing units. Beyond the collection and analysis of data, information can be used to enhance people's involvement in decision-making. UNDP tried introducing Geographic Information Systems (GIS)⁶ in Quang Binh province. For such initiatives to succeed in the future, they need to be supported by a favorable legal framework for dissemination of information and links with the overall institutional framework of the province. As a first step, UNDP may continue its efforts with the government to ensure smooth flows of important types of information and data.

CONCLUDING REMARKS

UNDP was the first international agency to be invited by the Government of Viet Nam to become involved in governance reforms, beginning in 1992. The strategic value of UNDP support to governance reform in Viet Nam is that UNDP has employed a catalytic approach that can be characterized as state-of-the-art 'second-generation knowledge management'. From the very beginning, UNDP has focused on building the capacity of the Vietnamese to acquire new knowledge on their own so they can adopt sustainable innovations suitable to their current capabilities and frames of reference.

Both UNDP and the Government of Viet Nam seem to have understood that policy generation is a non-linear process that moves at different paces at different times. By being ready to support the government when it was ready for assistance, UNDP has proved itself

6. Geographic Information Systems tools are place-based information systems that require data to be collected and stored at a level that is meaningful to people. They can be especially effective when coupled with participatory mechanisms that broaden and deepen the level of dialogue among individuals and between government and its citizens.

to be an invaluable partner in this important reform effort.

Future UNDP support will involve working at the local level through a variety of initiatives. The second phase of the project to strengthen the capabilities of People's Councils and the National Assembly is supportive of decentralization in 25 provinces (14 under the ONA project and the other 11 under the CEBA project). Phase two of the Ho Chi Minh PAR pilot, initiated in January 2003, involved decentralization and local capacity-building in Viet Nam's largest city. Phase two of the Public Expenditure Review project is being carried out in Hanoi, Ho Chi Minh City and the provinces of Bac Ninh and Quang Binh. Support for the government's HEPR programme will enhance the level of 'local ownership' of the poverty-focused programs carried out by sub-national units. (However, the flagship project in this area, RIDEF, closed earlier than expected due to the precipitous drop in UNCDF budget resources.) The Country Office has initiated an Inter-Unit Working Group on Decentralization and is in the process of preparing a position paper on the subject and continuing a dialogue with the government on the nature of future interventions.

An evolutionary approach to decentralization appears to be well suited to the rapidly evolving nature of Vietnamese society, particularly for ensuring that administrative practice remains supportive of market innovations.

In conclusion, an evolutionary approach to decentralization appears to be well suited to the rapidly evolving nature of Vietnamese society, particularly for ensuring that administrative practice remains supportive of market innovations. In the areas of decentralization, and local governance and participation, Viet Nam primarily looks to China as a learning source. UNDP has facilitated this learning process with a "Viet Nam – China Exchange Programme" which brings together national experts and decision-makers from the two countries, so that Vietnamese counterparts can take a first-hand look at various reform measures in China and learn relevant lessons, both positive and negative, for Viet Nam. Yet, no one really knows the full range of the consequences of simultaneously opening markets, enabling domestic entrepreneurs, and decentralizing authority in Viet Nam. Nevertheless, the willingness of the national leadership to continuously learn and modify national-local relations bodes well for the future.



Private sector development

In recent years, Viet Nam has been characterized by vibrant and bustling commercial activity. Development of the private sector has been one of the key drivers of economic growth, and it will play an even more important role in the future.

BACKGROUND

As a result of *doi moi*, Viet Nam was hailed as the good place to do business in Asia during the early 1990s. By 1996, however, foreign investors had grown discontented with a business environment still plagued by regulations and lack of facilities. During that year, 8.6 billion US dollars in foreign direct investment was committed, but only 2.9 billion US dollars arrived. However, recent changes in the legal and regulatory framework have revived Viet Nam's appeal. One major change has been the interest shown by provincial governments in creating industrial parks that provide infrastructure for foreign business needs. It is also now easier to establish wholly-owned foreign businesses; formerly, partnerships with state-owned enterprises were required. However, there remain some restrictions on wholly-owned foreign enterprises in certain strategic areas such as oil, gas, mining, forestry, tourism, telecommunications, power, and multi-modal transport. Foreign investment capital is still only about 461 US dollars per capita

(2000). By July 2002, the total capital of the enterprises in Viet Nam was 1,006,700 billion Viet Nam dong (VND), representing an increase of 4.2 times over 1995 figures, in which 58.6% (or 625,100 billion VND) was from SOEs, 27.75% (or 274,500 billion VND) was from foreign ventures and 13.65% (or 168,100 billion VND) was from private Vietnamese businesses.

The private sector in Viet Nam is still quite limited, and consists of:

- (a) household enterprises, often of micro size, that number in the millions, mostly involving small-scale trading, household farming and shops;
- (b) domestic private firms, mostly small and medium-sized enterprises (SMEs) — less than 30,000 in all, responsible for 4% of GNP — often called “the formal private sector” and primarily involving household farming, small shop services, food processing, wood products, garments and the ceramics and glass industries; and
- (c) foreign enterprises.

The state-owned sector, in comparison, accounts for close to 38% of GDP (60% of non-agriculture GDP), with 5,400 enterprises. Although the formal private sector is limited,

it has, over the last years, out-performed the state sector in value-added economic activity. It is growing rapidly, at a pace of around 20% per annum for industrial output. The total capital of the formal private sector increased by 10.8 times between 1995 and 2002, or three times faster than that of SOEs.

The private sector is relatively more **labor-intensive** than the state companies or foreign enterprises. Of a total of about 34 million people working in the non-state sector, 32 million are in household businesses and agriculture. Formal private companies and SMEs employ only 500,000 or 1.5% of the labor force. Employment potential is of crucial importance since there are about 1.6 million people entering the labor market every year. Based on the structure of the economy, rural industrialization and development will be deciding factors in Viet Nam’s growth and development.

The private sector share of non-oil **exports** increased from 3% in 1990 to 52% in 2000. The limited reserves of crude oil still account for about 20% of total exports, with garments in second place (16%). Seafood, footwear, and rice, and a variety of other agricultural products are also significant export items. Thus, Viet Nam has not yet developed a comparative advantage in industrialized products or value-added industries, which will be a major challenge in the face of globalization.

BOX 9: THE ENTERPRISE LAW

Along with the signing of the bilateral trade agreement with the USA, the enactment of the Enterprise Law in 1999 was a crowning achievement of the past five years in support for Viet Nam’s re-orientation to a market economy.

This law solidified the official recognition of the rights of all citizens to do business by explicitly stating, “citizens are entitled to conduct all business lines that are not prohibited by laws”. It provides a legal foundation for the private sector that clearly defines the rights and authorities of the state and investors.

The Enterprise Law attracted positive attention from the public, businesses and mass media. This involvement of the ‘non-state sector’ in policy implementation has been an important element in its speed and effectiveness — a critical point to be remembered for other aspects of the overall reform agenda.

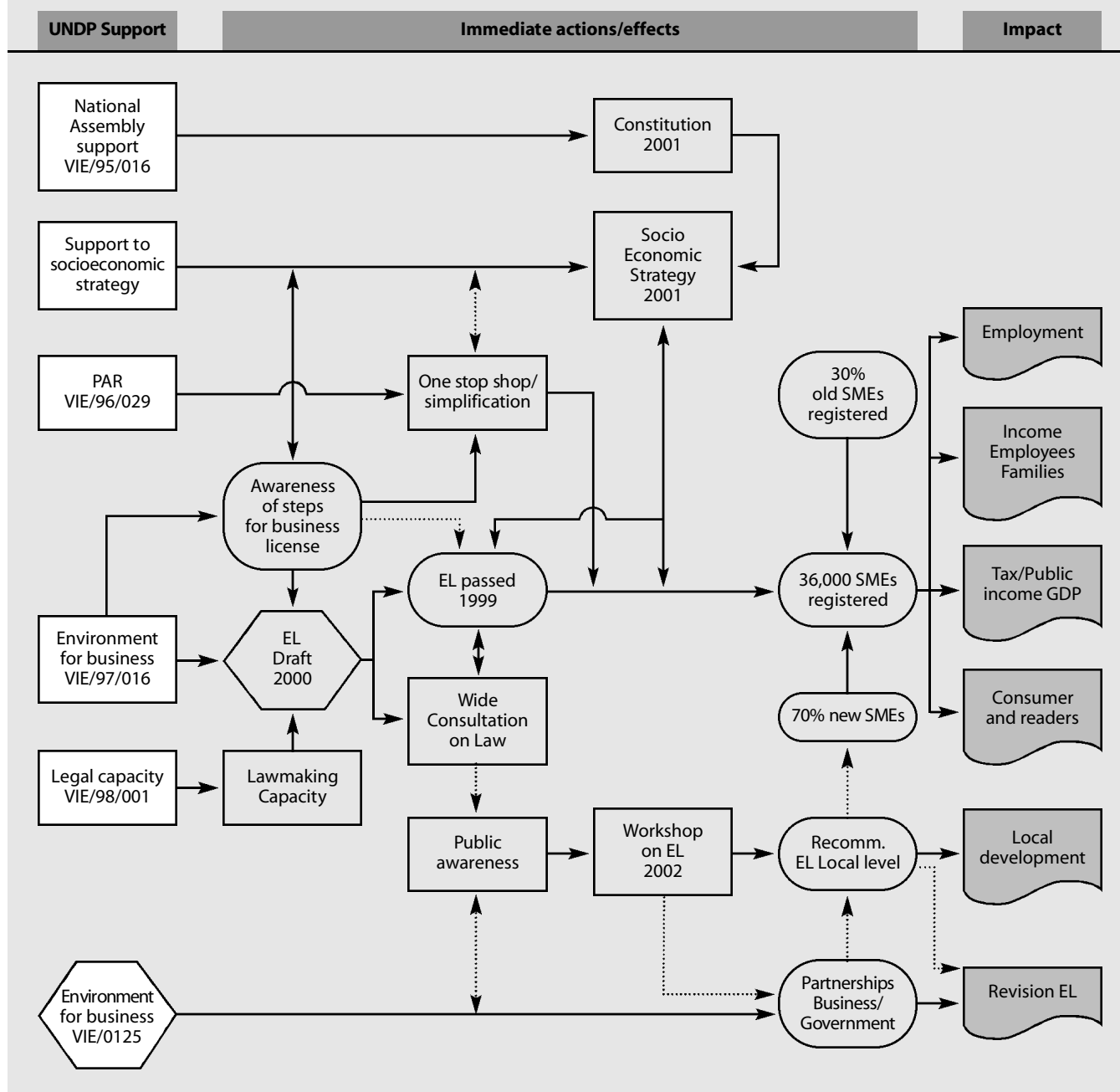
The Enterprise Law simplified procedures needed to establish a private enterprise (175 businesses license requirements were abolished). In 2000, the first year following enactment, a total of 1.65 billion US dollars in domestic capital was registered, (amounting to a 500% increase over 1999) and 500,000 new jobs were created, amounting to 1/3 of all new labor market entrants. Recent 2003 data from CIEM estimates that 100,000 new enterprises have been registered and 1.8 million new jobs created since the Enterprise Law came into force.

All indications are that the transition from the Company Law of 1990 to the Enterprise Law of 1999 was smooth. Even so, the government is already drafting amendments to the Enterprise Law in line with experience gained during the first two years of implementation.

THE REGULATORY ENVIRONMENT FOR BUSINESS

The most strategic intervention of UNDP in this area was the project VIE/97/016 “Strengthening the regulatory environment for business”. The entry point of collaboration with the Central Institute for Economic Management (CIEM), the socio-economic “think-tank” of MPI, was very effective, perhaps because CIEM was the right national ‘champion’, and UNDP’s partnership with this institution may continue to play a strategic role in future reforms. At the time the project began in 1997,

FIGURE 8: THE ENTERPRISE LAW (EL) AND ITS POTENTIAL EFFECTS



liberalization was very much on the agenda, but the private sector was still not well recognized as an instrument for development. UNDP was active in advocacy and awareness raising on this subject.

The UNDP project also contributed to the enactment of the Enterprise Law (EL), which came into operation in 2000 (see Box 9) and had a dramatic effect on business registration. The Enterprise Law represented a quantum leap in thinking about the relative rights and

responsibilities of the state and its citizens, and set off an entrepreneurial explosion. Although it is too early to establish the full impact of the EL, Figure 8 illustrates some of its effects. The figure also shows how UNDP support contributed to the Enterprise Law, as well as to the parallel process of formally recognizing the private sector in other national plans. Building on its role in connection with the EL, in the future UNDP will support further dialogue between the business community and the government.

UNDP also assisted with the revision of the Cooperatives Law, which is currently under review by the National Assembly. This law is supposed to allow greater freedom in the formation of cooperatives, thus facilitating their transformation into entrepreneurial groups of farmers, taxi drivers, handicraft workshop owners, and other types of workers. In addition, the Advisory Notes from the UNDP-supported project “Viet Nam – China Exchange Programme” provided critical inputs for Resolution No 14, which was issued by the Party regarding promotion of private sector development.

Many **future challenges** remain. Underdevelopment of markets has greatly hampered the mobilization, allocation and utilization of savings and investments. The state banking system controls 80% of bank lending, much of which is channeled to SOEs. With only 20% of total investments, SOEs have 50% of outstanding domestic bank credit. More than half of non-state SMEs interviewed by UNDP indicated that lack of access to capital was the most important constraint to their business development. Currently, land remains very difficult to obtain for investment purposes, and banks are still hesitant to accept land as collateral. Also, user rights for land plots are often scattered, hampering industrialized rural production. These factors are particularly limiting to smaller producers and entrepreneurs. The real estate market is also underdeveloped due to the tight and complicated regulations on transfer of land use rights. In addition, businesses suffer from a weak telecommunications infrastructure and high user fees, restrictions on speedy Internet access, and regulations on technology transfer.

DIRECT SUPPORT TO SMEs AND PRIVATE SECTOR

Creating opportunities for domestic business development is critical to the country's future progress. Besides supporting development and improvement of the legal/regulatory framework, UNDP has also offered policy options

for the government, and promoted open and constructive dialogue among representatives of the local private sector, the government and the Party. In some cases, UNDP has also provided direct support to SMEs and development of the private sector. Examples of such UNDP assistance in Viet Nam are: (a) area development programmes for poverty eradication; (b) projects to promote local employment for specific target groups (including women entrepreneurs and aquaculture farmers); and (c) local support services to private sector development. Although these types of support have certainly had some local effects, it would also be better if the lessons learned from such assistance could be incorporated into policy and regulations.

Both domestic and foreign investment is concentrated in areas around large cities and ports. Hanoi and HCMC account for 60% of all newly registered enterprises and over 60% of the total registered capital. The rural areas, especially those isolated by terrain or poor infrastructure, lag far behind. Current proposals to make the Enterprise Law more localized should contribute to support for local firms in areas outside the major cities.

UNDP has also advocated for greater discussion and direct interaction among representatives of private sector businesses, the government, and development partners. For example, at the 1997 Consultative Group meeting in Tokyo, UNDP tabled a proposal to create a Private Sector Business Forum with the aim of facilitating consultations between the government, the private business sector and the foreign investment community. The objective was to create a useful forum associated with the Consultative Group donor conference to help the government improve the policy framework for the domestic private business sector and also attract foreign investments. This was a highly innovative idea at the time. It was strongly supported, however, by the government and a significant number of donors, especially the International Finance Corporation (IFC), which moved the proposal into successful implementation. The current UNDP project (VIE/01/025) builds on this concept.

SOE REFORM

There are only about 5,400 state-owned enterprises (SOEs), but they are still dominant in important economic sectors. A major issue for the government to address is the continued low capacity of both the state and non-state sectors to absorb the annual influx of new graduates seeking meaningful employment. Currently, only 1% of all non-state enterprises employ more than 100 persons. The resident permit requirement has slowed down the mobility of the labor force and limited business access to skilled labor. The state retains a monopolistic position in a number of industries and is directly involved in many others. The mechanisms for private businesses to enter state-dominated sectors, such as sub-contract arrangements, are not clear.

Progress in SOE “equitization” (or “privatization”) is relatively limited. Donors and development banks have expressed concern over mixed messages on this. In 2001, the government set targets for SOE reform, but it has also expressed the wish to keep some strategic companies under national control. Although the government intends to divest itself of some SOEs, the limited development of national capital markets curtails the opportunities for Vietnamese investors to share in equitization.

UNDP supported the drafting of the new SOE Law, the Inter-Ministerial Working Group on SOE Reform and the formulation of policies for streamlining internal management structures of SOEs. The SOE Reform Law is expected to be adopted by the National Assembly before the end of 2003. The main issues expected to be addressed by the SOE reform law include: improving SOE management; ending discrimination between private businesses and SOEs; clarifying the duties of the government in regulating SOEs; and defining rights to liquidation and bankruptcy applicable to SOEs.

UNDP has supported the process of reshaping the state-owned enterprise sector to a lesser degree than it has supported the development of a private sector framework. At an early

stage, UNDP directly supported reform of SOEs, in collaboration with the International Bank of Reconstruction Development, through the project (VIE/91/011 – “SOE reform programme”). Later, another project (VIE/97/016) worked on creating a strengthened regulatory and legal framework for SOE restructuring, and helped produce Decree 44/1998, which simplified procedures for the transformation of SOEs into shareholding companies. Taking this one step further, the Enterprise Law subsequently allowed for “corporatization” — transforming SOEs into limited liability companies.

The 10-year Socio-economic Development Strategy set the objective of: *“A synchronized formation of institutions of the socialist-oriented market economy, with the development of a multi-sector economy with many ownership forms”*. The goal of a “level playing field” involves a number of factors, including: an equitable legal framework; access to resources; structural changes in the economy; elimination, regulation, or supervision of monopolies; and more open markets. One may also ask the question whether an exactly level playing field is what is needed. Some parts of the country’s economy are currently so disfavored that their development may depend on more “favoritism” than equality for a while. The introduction of modern management methods in SOEs, and the elimination of public subsidies, would in itself transform the state-owned sector. Equality between foreign investors and locals in terms of regulations and access to assets is a requirement under trade agreements. However, the evaluation suggests that other arrangements, such as requiring local partners for foreign businesses, may well be preferable in Viet Nam.

GLOBALIZATION AND REGIONAL INTEGRATION

The Vietnamese economy has become more open and integrated with regional trading partners, especially through membership in ASEAN (since 1994). Viet Nam’s top eight import partners in 2002 were all Asian. Japan and the US together absorb 30% of Viet Nam’s

exports, followed by China and Australia. With an increasingly favorable climate for investment, the number of foreign enterprises in Viet Nam rose from 108 in 1990 to 2,500 in 2002. Viet Nam signed a bilateral trade agreement with the US in 2001, which will require further lifting of trade and exchange restrictions, as will membership in the WTO.

In part due to its international network, UNDP has been able to sponsor a variety of studies on regional integration to inform and advise the government. Other contributions have been more indirect, but nevertheless important. Support for judicial reform included capacity-building for key national officials who now guide the legal aspects of WTO negotiations. Regional programmes have also played a role, such as the Asia Pacific Regional Initiative on trade, economic governance and human development (RAS/01/060). Figure 9 illustrates the UNDP phases of support, moving from regional integration to trade promotion and, currently, a more global perspective.

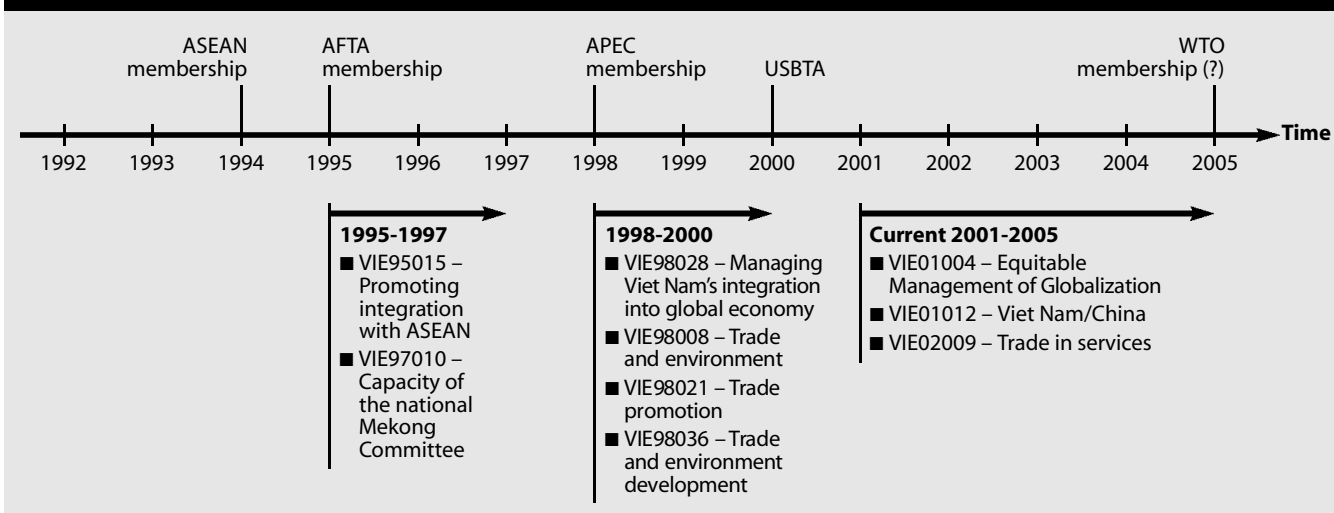
The Government of Viet Nam expects to join the WTO in 2005. Negotiations are currently being conducted with individual countries on conditions. One of the first achievements was the bilateral trade agreement with the US signed in 2001. Legal experts advise that observation of the clauses of this agreement would automatically satisfy most WTO requirements. Viet Nam's integration into the global economy

has been fairly rapid in recent years. The ratio of exports to GDP increased from 26% in 1990 to over 50% in 2000, despite the Asian economic downturn. The share of the non-state sector in exports is around 55%. However, the trade regime is still complex and restrictive. In addition, import-substitution oriented SOEs continue to dominate, leading to a higher level of imports than exports. This unfavorable trade pattern tends to be biased against rural and labor-intensive manufactured export sectors. Similarly, foreign direct investment is concentrated in oil, gas and hotel enterprises, which are not so labor-intensive. In view of the looming deadlines of WTO accession, Viet Nam would benefit from a clear strategy for economic integration. Issues to explore could include:

- controls on imports and current account payment restrictions
- state investment and procurement
- the impact of trade on agriculture
- the policies and role of open economic zones
- the institutional framework for trade
- strategies for continued protection in certain sectors
- the role of exchange rates and importance of the USD to the Viet Nam economy
- inadequate computerization for integration.

With or without WTO accession, increased globalization and exposure of Viet Nam businesses to competition should not be underestimated. The competitive advantage of the Vietnamese economy is still not clear

FIGURE 9: PHASES OF UNDP SUPPORT TO GLOBALIZATION AND INTEGRATION



compared to its neighbors. Preparing local businesses for global competition will be a major challenge.

FUTURE UNDP SUPPORT

Plans for UNDP assistance include expanded support for the development of policies to remove institutional constraints to private sector development, and assistance for regulatory reform to support a knowledge economy. In carrying out competitiveness assessments, UNDP will, in particular, support an assessment of the role of information technology in trade expansion and competitiveness, and in strengthening Viet Nam's capacity to handle international negotiations. These are strategically important subjects. However, the structural changes required for private sector development in the future — banking reforms, stock markets, land reforms, taxation systems, and infrastructure — do not fall easily within the sphere of UNDP's comparative advantage.

The Decisions by the MPI Minister in September 2002 on establishing a SME development bureau and council are positive signs of attention to SMEs. The current project on "Institutional Reform for Business Development" (VIE/01/025) aims to build partnerships between government and business through broad-based consultative mechanisms. The goal is to enhance the ability of the business sector to directly dialogue with the government *before* decisions are taken on actions related to implementation of the Enterprise Law. A significant output of the project was the drafting of the "Two Years Report on Implementation of the Enterprise Law" in August 2002. This

report is being used by the government in its current drafting of amendments to the Enterprise Law. The Steering Committee under the current UNDP project for business development may function as a partnership of the government and business interests to jointly work on the remaining impediments to private sector expansion. The idea of facilitating dialogue and improving legal mechanisms for private sector partnerships with the state sector in strategic industries is a valuable one. For this, however, UNDP needs to enhance its own capacity and expertise in dialogue with the business world.

Future UNDP support will continue to emphasize inter-country exchange and learning. One project will focus on exchanges of economic development policy lessons between Viet Nam and China (VIE/01/012). The Regional Trade Initiative, coordinated from Hanoi, involves a series of multi-country assessments of competitiveness, and exchanges on WTO accession that link research institutions across the region. These sorts of regional UNDP activities can provide critical input to Viet Nam.

With the Swiss Cooperation agency, UNDP is supporting an integration study (VIE/01/004) on the government's preparation for successful integration of trade-related agreements. The project VIE/02/009 – "Trade in Services" is tailored to WTO preparation, and aims to boost the Viet Nam service sector. Neglected areas, such as research on the competitiveness and social impacts of integration resulting from reforms, may also be included. Furthermore, the next NHDR is expected to focus on integration as the main theme — a very timely subject.



Vulnerable groups and inequalities

In spite of impressive achievements in poverty alleviation, challenges still remain. Growth has not affected all groups in Viet Nam equally positively. The first NHDR found that in the provinces with a low Human Development Index the average income growth rate for the poor was -0.8% , whereas the average income growth rate for the rich (nationwide) was 115.0% (1994-1996). The most vulnerable groups are women, people with HIV/AIDS and ethnic minorities.

GENDER

In 1946, the country's first constitution embraced gender equality in the broadest of terms. Now, at first glance, gender indicators for Viet Nam look positive, particularly compared to countries in the region. Viet Nam is now 15th in a worldwide ranking of women's representation in national legislatures. Literacy is at 86.9% for women, and life expectancy for women has reached almost 72 years (men's is at around 65). It would be easy to feel some complacency when looking at this picture. Indeed, little attention appears to be given to women in development and gender issues in the Viet Nam development debate. For example, although the MDGs include a

“Key is ‘... getting leaders to understand the links between gender, poverty and economic growth.’”

NCFAW

number of specific gender goals, the recent series of eight papers on strategies for localizing the MDGs in Viet Nam does not include one on gender (which is instead only covered in the MDG Overview paper).

The National Human Development Report describes the gender challenge in terms of a gap between economic and human development, about which more research is needed. The NHDR also points to inequalities between and within regions, with the less developed, mountainous regions low on economic as well as human development.

Qualitative information shows problems concerning (a) women’s workloads, (b) violence and crimes against women (mentioned for the first time in the CPRGS), and (c) wage differentials, particularly in new industries. Only 3 of 39 ministers are female. Women spend twice as much time as men in unpaid household work. While the enrolments of school aged children do not show any gender gap, fewer girls go on to secondary school and higher education. Improvements in child nutrition have benefited boys more than girls. Facilitated by CEDAW, women’s status has improved in terms of education opportunities and participation in social and economic activities. Nevertheless, women still have fewer opportunities in terms of access to technology, credit, land and training. The UNDP project VIE/96/011 contributed to a focus on gender differences, and women’s priorities for change, through research and a media campaign regarding gender issues (2000).

BOX 10: THE NATIONAL STRATEGY OBJECTIVES

1. Women’s equal rights in labor and employment
2. Women’s equal rights in education
3. Women’s equal rights in health care
4. More women in leadership roles
5. Strengthening the machinery for advancement of women

Viet Nam has introduced several initiatives to address women’s issues. Over the last ten years, since the Beijing conference, Viet Nam has developed a **National Action Plan for Women’s Advancement** (NAPAW, 1997) and analyzed a number of laws from a gender perspective.

The **National Strategy for the Advancement of Women by 2010** (Decision No.19/2002/QT-TTg, January 2002) aims to improve the status of women and to ensure that they are able to carry out responsibilities and participate fully on an equal basis in all political, economic, cultural and social activities in the industrialization and modernization process. It specifically targets five objectives. (See Box 10.)

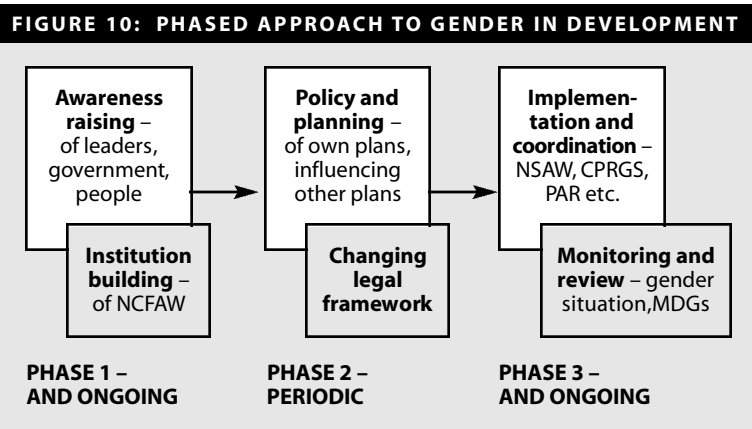
The National Committee for the Advancement of Women (**NCFAW**) coordinates these efforts. Under the first country cooperation framework, UNDP supported NCFAW, primarily through project VIE/96/011 – “Capacity Development for the Implementation of the National Plan of Action for the Advancement of Women in Viet Nam”. This project was co-funded with the Royal Dutch Embassy, with whom UNDP continues to work in a newly started project (VIE/01/015 – Gender in Public Policy). In brief, two accomplishments are notable: (a) awareness raising and information sharing — through training, publications, media campaigns, and support to the General Statistic Office in designing a gender-sensitive Multi-purpose Household Survey (MPHS); and (b) capacity and institution building — primarily through support to NCFAW to implement the Plan of Action 2001-2005 and mainstream gender sensitivity at all levels of government. UNDP has also provided support through a variety of other activities: a regional project on trafficking in women and children; gender analysis (VSSP, with FAO); gender training; a UN gender kit update; gender in land-law (with FAO); and gender monitoring (with Unicef). As demonstrated by survey polls, UNDP’s projects have succeeded in raising gender awareness, particularly the 1999 media campaign on gender. It is also clear that the NCFAW would not have the same capacity today if not for the UNDP projects.

The evaluation found that UNDP's phased approach on gender followed a sound and traditional pattern of support with regard to an emerging development challenge. (See Figure 10.)

However, challenges still remain in spite of these efforts, so the assumption that one can gradually move from one phase to the next appears faulty. Gender development in Viet Nam requires more efforts in all areas. Although the government now has policies and plans on gender equality, these have traditionally been adopted but not implemented. Given the number of national, sectoral and local plans in Viet Nam, it is an impossible task for NCFAW to monitor and synchronize them all. At the same time, the NAPAW is presented as a separate plan that is to be undertaken through line ministries. Development of an effective communication and coordination strategy is crucial.

In the current CCF, gender mainstreaming is seen as a crosscutting issue. The new project (VIE/01/015 – “Gender in Public Policy”), aims to mainstream gender issues into public policy and decision-making in Viet Nam, as well as to improve the capacity of NCFAW to implement the Plan of Action 2001-2005. In most ways, the project is a continuation of past support, but it is more focused on top-level awareness, the needs of individuals, and gender analysis of policy (e.g. agriculture services are generally provided to men, though most farmers are women). The project has proposed to study ways to promote cultural change (for which additional support is being sought), and could be a key contribution on how to create awareness that translates into action.

In spite of UNDP's development of mainstreaming tools, mainstreaming has not been particularly effective, either within the UNDP programme portfolio or within national development policies and plans. There have been a number of missed opportunities for such mainstreaming. This can be explained partly by the lack of gender and development expertise available to the UNDP office and



the government. Gender mainstreaming has, however, been promoted by an impressively detailed review of gender dimensions in the PAR Master Plan and the draft CPRGS conducted by the project and NCFAW staff. Although the final versions do not reflect the full range of the original comments, one can conclude that gender concerns would have been reflected to an even lesser degree without this pressure. More could be done to strengthen the links between different projects on gender policy and other strategic policy projects, for example with PAR (a crucial entry point for gender issues), legal reform, and support to the National Assembly.

With this in mind, a more innovative approach may be called for in Viet Nam, where one of the key future challenges is changing people's mindsets. Viet Nam society is still based on the concept of the importance of men in society (“male preference”, or *thích con trai*), and a complex set of family advantages enjoyed by males. This raises concerns about how one can design a poverty strategy mainly based on rural development without fully taking into account gender concerns. Female-operated non-farm enterprises are the backbone of sales and distribution in rural areas, while male-operated enterprises concentrate on production. Farms operated by women have less land to cultivate (only 61 % of the average man's farm), and are therefore less profitable. In consequence, if development assistance is to target the poor it must target the women in rural areas.

HIV/AIDS

Since the first registered case of HIV in 1990 and AIDS in 1995, the Vietnamese government and Party have taken measures to curb the spread of HIV/AIDS through treatment and prevention efforts. Despite their efforts, the AIDS epidemic continues to spread, and the AIDS standing committee estimates there have been around 5000 deaths so far. Nevertheless, the annual increase of approximately 7% over the last few years is less than WHO expected in the early 1990s. This can be viewed as an achievement, or merely as a postponement of the anticipated increases.

The 1-year SDS aims to “fight against social vices and AIDS”. Viet Nam’s perception of HIV/AIDS as a “social evil” hampers, in the view of donors, effective measures to battle the disease. Perhaps this concept was more applicable in 1995, when the majority of those infected were injecting drug users (85%) or linked to prostitution, but the disease is rapidly spreading beyond these groups to the general population. The majority of new infections are now occurring from sexual transmission. The rapid increase in trade following *doi moi* has resulted in expansions in transportation, and the service and entertainment industries, as well as increased migration — and AIDS can now be found in all 61 provinces. Although contraceptive availability is high in Viet Nam, the rate of condom utilization is very low (2% in 1995, 5.9% 1997), which contributes to the alarming increases in infections among women.

VIET NAM ASKS UN FOR HIV HELP

“HA NOI — Deputy Prime Minister Pham Gia Khliem has asked the United Nations Development Programme (UNDP) to help Viet Nam form an effective HIV/AIDS prevention strategy to fend off the rapid spread of the fatal disease.

“In a meeting with UNDP chief representative Jordan Ryan, Deputy PM Khiem stressed that dealing with the epidemic is one of the most pressing social tasks facing the Government.

“ Khiem thanked Ryan for UNDP’s valuable assistance, and briefed him on the current HIV/AIDS situation and the Government’s planned responses.

“Ryan applauded Viet Nam’s tireless efforts in the fight against the disease, saying that he hoped to get a better understanding of how the country’s HIV/AIDS prevention work is organised and how a prevention blueprint will be drafted.

“He said that the UNDP is willing to help Viet Nam deal with the disease.” — **Viet Nam News**

The first **National Strategic Plan for the Prevention and Control of HIV/AIDS in Viet Nam** (1994-2000) and the Coordinated Programme of External Assistance (CPEA, 1995-1997) focused on behavior changes, targeting commercial sex workers, clients with sexually transmitted diseases, injecting drug users, youth and blood donors. This phase worked out the respective responsibilities within the government for dealing with the issue, following the National AIDS programme 1996-2000. Currently, the National AIDS Standing Bureau (NASB) is working on getting approval by the government for the National AIDS Strategic Plan 2001-2005.

UNDP supported Viet Nam on this issue even before HIV/AIDS became a UNDP corporate priority. UNDP Hanoi funded a management capacity study to identify the structural and organizational constraints of the HIV/AIDS programme in Viet Nam, and a project co-funded with Australia (VIE/93/009) to strengthen capacity in coordination and management of HIV/AIDS. Perhaps the most strategic contribution of the subsequent UNDP project (VIE/98/008 – “Strengthening Capacity in Management, Policy Formulation and Coordination of HIV/AIDS in Viet Nam”) was the independent evaluation of the national programme, which led to changes in the national coordination structures.

The UN and UNDP have provided great encouragement and political support for dealing with HIV/AIDS as a crosscutting social issue, beyond “health and control”. The current Resident Representative’s personal and active involvement helped to establish this as an office priority and promote the inclusion of HIV/AIDS in constructive terms in the CPRGS. In view of this, the Resident Representative was recently asked by the Deputy Prime Minister to help develop a long-term strategy (to 2010) on this issue.

The long-term strategy would need to focus on changing perceptions and attitudes, both within the leadership sphere and among the population. Such a strategy could also serve as

a coherent framework for mobilizing and coordinating programmes and support. The evaluation received mixed feedback on past experiences with such coordination in Viet Nam, from the government, the UN system and the development community, as well as different perceptions on financial needs. Although Viet Nam spends less on HIV than any of its neighbors (0.04 USD per capita vs. 0.5 USD in Thailand), interviewees from both the government and development partners mentioned that the issue was not lack of financing, but a mix of weak capacity to manage the resources, lack of commitment, and/or the lack of a consistent framework such as a Trust Fund facility to disburse funds.

ETHNIC MINORITIES

Ethnic minorities account for almost 30% of the poor in Viet Nam. About 75% of the ethnic minority people fall below the international poverty line compared to 31% of the Kinh majority. Ethnic minorities are defined as those people who live in Viet Nam and have Vietnamese nationality, but who do not share the 'Kinh' language, culture and identity. Viet Nam has more than fifty-three ethnic minority groups that, put together, have a population of about 9.9 million, equivalent to over 13% of the total national population. The Tay, Thai, Muong and Kho Me groups each have populations of over one million people, but 41 of the smaller groups have populations of less than 100,000.

Although some ethnic groups have settled in the Red River and Mekong Deltas, the majority are highland people who live in the northern and western parts of Viet Nam on the borders with Cambodia, the Lao People's Democratic Republic and the People's Republic of China. Approximately 75% of the total ethnic population lives in just 11 provinces in the Northern Mountains and 4 provinces in the Central Highlands. The majority are poor, marginalized, subsistence farmers. The isolated areas where most of the ethnic minorities live are amongst the poorest areas in Viet Nam.

The long-term HIV/AIDS strategy would need to focus on changing perceptions and attitudes, both within the leadership sphere and among the population. Such a strategy could also serve as a coherent framework for mobilizing and coordinating programmes and support.

There are very high rates of poverty in the rural areas of the Northern Mountains and the Central Highlands.

Development of the mountainous areas is constrained because of their inaccessibility and unfavorable conditions for agriculture. Services are limited, leading to much lower levels of health and educational status among the ethnic population compared to national averages. The system of shifting cultivation used by the ethnic groups is becoming unsustainable, demonstrated by gradually lowered yields and decreased resistance to adverse weather conditions.

The government is now focusing on providing more production-oriented assistance. Overall development strategies for the ethnic minorities are based on the principle "*Rút ngắn khoảng cách giữa miền núi và miền xuôi*" which means, "to reduce the gap between the mountainous areas and the delta". The government intends to bring the ethnic minorities into the mainstream of Vietnamese society by: strengthening investment in infrastructure in the mountainous areas; introducing forestry and commodity production; (re)settling ethnic minorities to reduce migration; targeting subsidies for basic services; and increasing enlistment of ethnic people into government cadres. Since 1993, the Committee for Ethnic Minorities and Mountainous Areas (CEMMA) has functioned as a permanent advisory body to the government on policies relating to the mountainous areas and ethnic minorities.

The largest UNDP project in this theme was **VIE/96/010 – "Strengthening Capacity in Policy Formulation and Management of Ethnic Minority Development in Viet Nam"**,

designed to build the capacity of ethnic minority people to participate in national life, especially in the economic and social spheres. Although a considerable part of the project dealt with local beneficiary impacts, i.e. improved service delivery at the local level, the project also targeted ethnic minority policy issues, as well as access to computer systems. The evaluation found that the project made only very limited progress and concluded that: “The promising initiatives taken and progress made in promoting participatory approaches and social mobilization fronts must be continued and further consolidated by the provincial authorities in all its initiatives.” Given that it is generally difficult to channel local lessons from poverty programmes into national policies, it is perhaps to be expected that this is doubly challenging with regard to ethnic

minority issues, which are vast, sensitive, diverse and complex.

The government and its development partners recognize the “1715 poorest commune” or HEPR programmes as vital to eradicate hunger and reduce poverty. They also agree that decentralization and community participation are important strategy elements. However, strategies on how to address ethnic issues in poverty plans remain elusive. The UNDP country office has established a lead position in this area, as shown by the fact that UNDP developed the MDG/VDG report on promoting ethnic minority development. The government has also agreed to have UNDP manage an overall evaluation of both Programmes 133 and 135, to help the government with targeting, monitoring, and improving community participation. This provides an excellent basis for taking this challenge forward.



Environment and natural resources

This section highlights some of the key elements of sustainable development, focusing on the connections between rural development, public participation and the environment, as well as policies promoting the sustainable use of natural resources and management of natural disasters.

Analyzing issues of economic and social development together with environmental protection is the basis for sustainable development. Interrelationships at the policy and regulatory level should be consistent to ensure that development activities are integrated with efforts to conserve natural resources. At the same time, management of natural resources must be linked to local and regional development planning and priorities.

As the country moves further along a path towards industrialization and globalization, the environment is increasingly under threat. With economic and industrial development come challenges in energy and resource consumption. A few are worth mentioning here:

- **Urbanization** in Viet Nam has changed environmental conditions and resources in both rural and urban areas. In recent decades, the urbanization rate in Viet Nam has been fairly high, especially in the three priority

economic development zones of Hanoi, Hai Phong and Ho Chi Minh City. The urban population accounted for 19% of the total population in 1986, but had increased to 23.5% by 1999 and is expected to reach 40% by 2020. While much attention is placed on the growth around the three metropolitan areas, it is important to note that there is substantial growth taking place in secondary cities and towns as well. While there were only about 500 large and small urban areas counted in the 1990 census, the figure had climbed to 623 in 1999. This migration was taking place in spite of limitations on relocation within the country, with a number of “unregistered migrants” arriving in the cities.

- **Industrial, urban and agricultural pollution** are growing issues, although the government, and society in general, is increasingly aware of these problems. In urban areas, pollution is becoming more serious due to industrial activities, energy production (especially using coal), solid waste pollution and rapidly increasing traffic.
- **The forest cover** increased from 27% in 1990 to 33.2% in 2001 (although questions

remain about the quality of new forest cover). The government estimates that 35.7% of Viet Nam is now covered by forest (March 2003), following a strategy whereby land is allotted to farmers for tree-planting and care under long-term contracts with local authorities. Rational utilization of natural resources, including soil, water and mineral resources, has been given more attention.

- A system of **national parks** and nature conservation areas consisting of 102 units covers 2.3 million hectares and accounts for 7% of the total area of the country (slightly below the global average). The country remains densely populated (7.3 persons per hectare of arable land).
- **Land use rights and management** are traditionally complex and sensitive issues. Access to land remains a challenge for private businesses and for the poor. The high cost of renting land increases the pressure on existing cultivated land. There is also concern about unsustainable land use, especially in ecologically vulnerable areas and areas prone to natural disasters.

TABLE 2: ASSESSMENT OF SOCIO-ECONOMIC DEVELOPMENT AND ENVIRONMENTAL PROTECTION 1991-2000

	Achievements	Challenges
Economic development	<ul style="list-style-type: none"> ■ Rapid economic growth (7.6%) ■ Food security and economic restructuring ■ Stable macro economic environment 	<ul style="list-style-type: none"> ■ Weak economic potential, low effectiveness and foreign debt ■ Focus on increase of outputs ■ Conflicting development interests among sectors
Social development	<ul style="list-style-type: none"> ■ Reduced population growth ■ Hunger eradication, poverty alleviation and increase living standards ■ Improve public services 	<ul style="list-style-type: none"> ■ Pressure of population growth and unemployment ■ Insufficient consumption ■ Increased social problems
Environment al protection	<ul style="list-style-type: none"> ■ Development of institutional and policy framework for environmental protection ■ Prevention of forest degradation ■ Control and prevention of industrial pollution ■ Clean water and living environment 	<ul style="list-style-type: none"> ■ Decreased quality of environment ■ Limited environmental awareness ■ Lack of integrated natural resource management ■ Increased migration pressure on cities ■ Vulnerability to natural disasters

Source: Adapted from Viet Nam SOE report.NEA – CEETIA,2001.

UNDP has long advocated for strengthened environmental management and awareness in Viet Nam, as part of the objective of sustainable human development. In cooperation with the government, UNDP has worked on: (i) improving the national regulatory framework and incorporating incentives and self-regulatory tools in environmental management; (ii) training policy makers on the relationships between economic and environmental policies; (iii) promoting public awareness on environmental issues; and (iv) mitigating natural disasters. Specific activities have been undertaken in energy, pollution, and forestry. There are also significant numbers of Global Environment Fund (GEF) projects in Viet Nam.

For a more complete picture of the sustainable development situation in Viet Nam, both achievements and challenges should be addressed together. These are summarized in Table 2.

The key achievements in Viet Nam over the last years can be summarized as: (a) increased awareness of the environment; (b) increased institutional capacity; and (c) improvements in implementation and enforcement capacity.

Increased awareness on environment and sustainable development. The National Assembly has become more interested in the environment, and in directly monitoring the implementation of the Environmental Protection Law in connection with large development projects, such as the Ho Chi Minh Road and the Son La Hydro-Power Plant. In addition to the Environmental Protection Law, other important policies and laws concerning the environment have been passed at the national level, including the NPESD 1991-2000. Directive No. 36 of the Political Bureau of the Communist Party, on Environmental Protection, was also crucial for environmental protection. Another signal of increased awareness has been the very recent establishment of a new Ministry of Environment and Natural Resources. These issues had previously been spread over several departments, especially in the Ministry of Agriculture and Rural Development (MARD).

At the national level, ministries have incorporated environmental concerns and a sustainable development approach into their development strategies. Examples of these include: the draft Agenda 21 prepared by the Ministry of Planning and Investment (MPI), the draft National Natural Disaster Management Strategy developed by MARD, and the Environmental Education Program within the 2002 National Education Program prepared by the Ministry of Education and Training. At the local level, environmental protection strategies and action plans have been approved by some local authorities, including Dong Nai Province and Ho Chi Minh City (which has already started implementation activities).

For business communities, sustainable development is closely related to pollution prevention and cleaner production. This has been introduced on a pilot scale among enterprises and companies,

but has not yet become widespread. Citizens, communities and mass organizations, such as the Youth Union and the Women's Union, understand and actively participate in environmental protection programmes.

With UNDP support, a large number of awareness-raising activities were organized that were intended to reach beyond party leaders and high-ranking governmental officials:

- Dialogues were organized jointly between MPI, the Ministry of Science, Technology and the Environment (MOSTE) and VCCI with the intention of establishing the Viet Nam Business Council for Sustainable Development (VNBCSD). Although the VNBCSD has not yet been established, there is a consensus among the government, the business community and civil society that enterprises can play an important and active role in achieving environmentally sustainable development in Viet Nam.
- Civil society, including both mass organizations and local NGOs, has become more aware of the need to be involved in the debates on sustainable development in Viet Nam. Through the formulation of the Viet Nam Agenda 21, chaired by MPI, a wide range of stakeholder workshops were organized throughout the country, in which civil society organizations actively participated.
- Furthermore, in parallel to the Agenda 21 formulation process, NGOs in Viet Nam completed their own assessment of Viet Nam's progress towards more sustainable development. The report was prepared by a team of local NGOs, with the assistance of some international NGOs. The report preparation involved a series of workshops and discussions, including an 'e-dialogue' to exchange opinions about Viet Nam's post-Rio performance. The report was submitted to the 2002 World Summit on Sustainable Development in Johannesburg, independently of the Viet Nam government's contributions to that forum.

BOX 11: CAPACITY BUILDING IN ENVIRONMENTAL TOXICOLOGY, TECHNOLOGY AND MANAGEMENT TO PROMOTE SUSTAINABLE DEVELOPMENT

"Viet Nam needs grand plan to go green, says new report"

"...Entitled 'Environmental Toxicology Problems Resulting from Chemical Uses in Viet Nam: An Assessment of Training Requirements',...the report recommends that Viet Nam formulate and implement an appropriate legal framework for chemical safety..." — **Viet Nam News**

- UNDP has successfully contributed to the significant increase in environmental awareness among schools and children through environmental education projects. Environmental education and awareness building have been taken seriously by the government and will form an increasingly important part of both the formal and the extra-curricular aspects of the national education system. About 10% of schools had planned to introduce environmental education into their education system, but in fact 35% of schools actually did. It will be interesting to follow, in the future, the extent to which this young generation addresses environmental protection issues.
- The environmental awareness of communities in six provinces (Lai Chau, Son La, Hoa Binh, Thanh Hoa, Nghe An and Thua Thien Hue) was enhanced through approaches such as community management of fisheries, which aimed to build the capacity of the local community in managing fishery resources while taking into consideration the potential environmental impacts of aqua-cultural activities.

Through UNDP assistance to local governments in Ho Chi Minh City and Dong Nai Province the awareness and capacity of the local authorities has been developed and strengthened. The concept of 'cleaner production' has been introduced to Viet Nam and has changed the approaches to pollution prevention versus pollution control and end-of-pipe technologies among business communities. UNDP continues to press for environmental awareness in different ways. (See Box 11 on a report issued by VIE/97/031 "Capacity building in environmental toxicology, technology and management to promote

sustainable development", with the Chulabhorn Research Institute in Thailand.)

Furthermore, the concept of sustainable development has entered into the recent Ten-year Socio-economic Development Strategy prepared by the Party and its Directive 36 on environmental protection. The environmental impacts of such large infrastructure development projects as the Son La Hydro-Power Plant and Ho Chi Minh Road were considered carefully by MPI during the formulation and appraisal process, partly due to inputs from UNDP.

Strengthened institutional capacity building.

There is evidence of strengthened institutional capacity building (in terms of policies and strategies, legal frameworks, and organizational set-ups) for sustainable use of natural resources and environmental protection at all levels of government. The National Environmental Agency (NEA) was established in 1994, and in 1995, Departments of Science, Technology and the Environment, with Environment Management Divisions, were set up in all 61 provinces. NEA's staff has increased by 5 times its original quota in 1994, to 73 posts. Environment units have been created in many line ministries. In 2002, a new Ministry of Natural Resources and Environment (MNRE) was established to integrate environmental protection and natural resources management. The NEA is now referred to as VEPA (Viet Nam Environmental Protection Agency). By 1999, Ho Chi Minh City's Environment Management Division staff had doubled in size to 20 technical officers. Though still small when compared with most of the provincial sector agencies, the environment agencies have gone through a period of very rapid growth.

The growing **system of national policies, plans and laws** for environmental protection and sustainable development includes: the NPESD 1991-2000, Biodiversity Action Plan (1995), Law on Environmental Protection (1993), other related laws such as the Law of Forest Protection (1991), Law on Land (1993), Law on Petroleum and Natural Gas (1993), Law on Mineral

Resources (1996), Law on Domestic Investment (1999), and Law on Water Resources (1998).

Regional development planning has been given more attention and is now officially recognized as a tool for formulating socio-economic development strategies and plans at the national, ministerial and provincial level. Six regions have been proposed for regional development plans, including: the Red River Delta and the Priority Northern Region; Southeast Region and Priority Southern Region; the Coastal line in central part and Priority Central Region; the Midland and Mountains in the Northern Region; Tay Nguyen Region; and Cuu Long Delta Region. Environment Master Plans for these regions are being prepared — the first time this has been done — which will provide the essential foundation of environmental controls and guidelines against which development planning and integrated natural resource management will occur. This is an important achievement because, until recently, such frameworks for development have been missing in environmental and natural resources management in Viet Nam.

Viet Nam has made a conscious effort to prepare itself for participation in **global environment agreements** and conventions. Since 1994, Viet Nam has become party to seven major global environment conventions including, most recently, the Stockholm Convention on persistent organic pollutants in 2001. (See Box 12.)

Agencies of the government have begun to enhance their **coordination** capacity regarding the environment and sustainable development. The Ministry of Agriculture and Rural Development's International Support Group provides a good mechanism for coordinating ODA at MARD. This example has been picked up by other agencies such as the Ministry of Public Health and the Ministry of Science, Technology and the Environment. In 2002, the International Support Group for the Environment was set up by MOSTE. This has since been transferred

BOX 12: SUSTAINABLE DEVELOPMENT CONVENTIONS TO WHICH VIET NAM BECAME A PARTY

- Convention on International Trade in Endangered Species of Wild Fauna and Flora (1994)
- United Nations Convention on the Law of the Sea (1994)
- Vienna Convention for Protection of the Ozone Layer (1994)
- Montreal Protocol on Substances that Deplete the Ozone Layer (1994)
- Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal (1995)
- United Nations Convention on Climate Change (1994)
- Convention on Biological Diversity (1994)
- Kyoto Protocol
- Stockholm Convention on persistent organic pollutants (2001)

to the new Ministry of Natural Resources and Environment.

In relation to **public administrative reform**, the major contribution of UNDP was its support for strengthening governmental agencies responsible for environmental administration and management in the country, through the establishment of the Ministry of Science, Technology and Environment. The Environmental Protection Law was passed by the National Assembly at the end of 1993 and became effective at the beginning of 1994. UNDP played a catalytic role in mobilizing resources contributed by other donors to support the NEA, and the provincial-level Departments of Science, Technology and the Environment. The GEF project on strengthening awareness on management of national forests led to the government's approval of the National Biodiversity Action Plan in 1995. Recently, UNDP assisted in the establishment of the International Support Group for the Environment coordinated by the MOSTE. This was the first time that an attempt was made to formally coordinate donor support for the environment in Viet Nam.

Another strategic intervention of UNDP was the decision to place the **Capacity 21** project VIE/01/G81 at the Ministry of Planning and Investment in 1995. This helped bring environmental concerns and sustainable development ideas into the heart of the most important planning and investment decision-making agency. Other follow-up projects (VIE 97/007 and Agenda 21) have enhanced

Viet Nam's capacity to incorporate environmental considerations into development and investment planning at the national level (MPI) and within some selected DPIs. With the inputs accumulated during the first two phases of capacity building (VIE/01/681 and VIE/97/007) and wide participation of various stakeholders, including MOSTE and line ministries and provinces, UNDP assisted MPI in drafting the Strategic Orientation for Advancing Viet Nam towards Sustainable Development (Viet Nam Agenda 21). This document was submitted to the World Summit on Sustainable Development at Johannesburg in August 2002 as an official document.

Improved development of implementation and enforcement capacity. The government has begun to create and use feedback mechanisms that help it to integrate environment concerns more completely into development planning. For example, MOSTE carried out an assessment of the implementation of the National Environmental Protection and Sustainable Development Plan (1991-2000) and drew lessons concerning its achievements, as well as its shortcomings and limitations. This assessment proved vital in formulating the next ten-year environmental strategy and related five-year action plan. Since 1994, State of the Environment Reports have been prepared annually by NEA, with contributions from the provincial Environmental Management Divisions and line ministries. This information has been influential in defining new policy orientations and priorities for action. It has also helped raise awareness among decision-makers, including the National Assembly, concerning environmental problems and trends. The State of the Environment reports have been prepared in different formats for different purposes.⁷

In addition, various ministries have developed plans to incorporate environmental concerns into their planning processes. Most significantly, the critical Ministry of Planning and Investment

is making use of the Agenda 21 and CPRGS. In addition, the new MNRE is forging ahead in seeking final government confirmation of the NEPS 2001-2010 and NEAP 2001-2005. MARD has organized donors to support the preparation of its Natural Disaster Management Strategy and to finance the establishment of the National Committee for Disaster Management. MOI has defined a Sustainable Development Plan for Industries, and the Ministry of Construction has developed strategies to guide the improvement of the urban and industrial environment, including: the Water Sewage Strategy in Urban Areas to the Year 2020, Solid Waste Management Strategy in urban and industrial areas to Year 2020, and the Strategy for Clean Water Supply in Rural Areas to year 2020.

However, compared to awareness and capacity-building activities, UNDP has been less directly involved in environmental implementation and enforcement issues. However, some enforcement initiatives may grow out of early awareness raising. UNDP has supported environment management, PAR and urban planning in HCMC, where the government authorities are now attempting to relocate nearly 23,000 polluting industries (which affect air quality, water supplies, and noise levels) from the city to new industrial parks. Progress is very slow, hampered in part by the financial burdens on companies of relocating their operations, and the Vietnamese tradition of workers living close to their workplace.

When a development activity like the construction of a hydropower plant in the Na Hang Protected area was proposed, UNDP was able to bring all the important ministries, agencies (including GEF), and stakeholders to a meeting where various alternatives for integrating development and conservation goals were discussed. As a result, MARD established a task-force group consisting of representatives of concerned agencies and stakeholders to work on alternatives. Through

7. The National Environmental Agency and line ministries prepare State of the Environment Reports annually. The full report (about 400 pages) is used within the NEA, the short version (about 90 pages) is distributed within MOSTE and concerned line ministries and the summary version (40 pages) is presented to the National Assembly.

its intervention, UNDP gained more trust from the government for facilitating debates and discussion on such sensitive issues.

KEY CHALLENGES

Reviews of project documents and interviews with relevant stakeholders indicated that UNDP's projects provided valuable knowledge and experiences. However, this knowledge has not been disseminated effectively. There is insufficient attention given to communication and policy advocacy strategies to inform the various governmental agencies involved in policy making, and to facilitate the dialogue linking pilot demonstrations in provinces with policy discourse at the national level. For example, the large PARC Project (VIE/95/G31 and VIE/95/031) was the first attempt to put the ideas on integration of conservation and development into practice in Viet Nam. However, in another national park visited during the evaluation, the existence of this large project (and lessons learned from it) was not known, although the same issues of protection vs. sustainable use of resources were being addressed. The Country Office is now looking at better ways of sharing lessons from projects.

Keeping the balance between investment for economic growth and environmental protection is still a significant challenge in many provinces. Environmental concerns are often added on to existing socio-economic development strategies instead of being incorporated at the beginning of the planning process. A poor and unreliable database for environmental planning is another obstacle for inter-sectoral and regional planning. It is not clear yet what the institutional impacts of the new Ministry of Natural Resources and Environment will be.

There is still limited capacity on environment, especially at the provincial level, including lack of staff and knowledge, especially for those units that do not get access to international

Environmental concerns are often added on to existing socio-economic development strategies instead of being incorporated at the beginning of the planning process.

support for institutional capacity building. Vertical coordination (national to local) and horizontal co-ordination (among concerned environmental management units in line ministries) have been insufficient. In HCMC, support from UNDP (with the Dutch, ADB, and Norway) helped establish the only automated system in Viet Nam for measuring air and water quality against national standards — and against the MDGs and VDGs. The evaluation found that key personnel were unaware of the national standards and MDGs and could not say how HCMC rated nationally. The information provided by the project, although excellent in technical quality, lacked the formatting or packaging that would make it more likely to influence policy dialogue and decision-making.

Poor information sharing is a major barrier to establishing feedback mechanisms in development planning.⁸ The State of the Environment Report provides feedback information to advise decision-makers and planners on how to understand and respond to the environmental impacts caused by development activities. Yet, the use of the environmental reports in development planning, especially by agencies at the local level, has been minimal, even though the reports are presented each year to the National Assembly. In part, this is due to the fact that the environmental information in the reports is presented in an academic style. It is mainly prepared by and for environmental scientists, and is therefore less useful to planners. Also, the reports are not systematic and their format tends to change each year, which limits comparative analysis and the identification of trends.⁹ A policy advocacy and communication

8. The obstacles to information sharing are considered in O'Rourke, D. et al., *Needs Assessment – Strengthening Institutional Capacity for Environmental Information Management in Viet Nam*, Hanoi, Viet Nam: NEA/World Bank; 2000.

9. (O'Rourke 2000)

strategy would be useful for linking the lessons drawn from UNDP pilot and demonstration project experiences in the provinces with the policy discourse at the national level.

In the years immediately following the Rio 'Earth Summit' in 1992 there was an extraordinary creative energy in the formulation and approval of new policies and legislation, most importantly the Law on Environmental Protection and National Biodiversity Action Plan. Most international environment agreements require actions across sectors and at different levels of government, but in Viet Nam the development of action plans and regulations to give domestic expression to these agreements has tended to be confined to the lead institution. This has meant that implementation commitments by other key agencies, as reflected in budget and staff allocations, have been weak. Implementation of such important government initiatives as the Biodiversity Action Plan, the Country Program to Implement the Convention on Climate Change, and the Country Program to Phase out Ozone-depleting Substances, for example, has been hampered accordingly.

Many reforms were introduced but in recent years progress has been slow due to the practical **difficulties of implementation**. As environmental regulations and procedures have been introduced, the load and complexity of environmental administration has rapidly increased, sometimes leaving staff struggling to keep up. Environmental standards are often inappropriately applied and lack detailed provisions for enforcement or incentives for businesses to comply.

Environmental assessments have become institutionalized as enforcement tools. Since the issuance of the Environmental Protection Law, a number of regulations have been approved

to provide a complete legal framework for using environmental assessments as environmental protection measures. Environmental assessments have been required for capital development projects, especially large ones such as the Son La Hydro-Power Plant, the Ho Chi Minh Road and the Cai Lan Port. Environmental impact assessment reports, reviewed by MOSTE and the provincial Environmental Management Units, provide another important information source for planning agencies in developing environmental databases for specific areas and sectors. Currently, this information remains within the environmental agencies. These reports are not distributed widely and there is no legal framework in place requiring open access to them. They are generally not available in electronic form for inclusion in future databases. Furthermore, even where the environmental authorities have approved an environmental assessment, the inspections and monitoring of compliance have been weak in terms of staff, equipment and regularity.

UNDP's assistance has not been linked to the governmental financing agencies, which has limited its effectiveness. For example it took seven years to approve the National Environmental Fund prepared by NEA/MOSTE, but implementation of this fund is still in the designing stage due to lack of participation by the Ministry of Finance. Sustainable development needs to be understood in a wider context and not just linked to the environment. The role of UNDP with regard to the implementation of the National Environmental Fund needs to be elaborated, and UNDP support needs to be better integrated into existing government programs, such as the National Action Plan for Cleaner Production and the Industrial Pollution Prevention Program that are being carried out by MOI and other ministries.

10

Disaster mitigation and prevention



Viet Nam is one of the most disaster-prone countries in the region. The country regularly experiences typhoons and related floods, as well as numerous tropical storms during the monsoon season. These storms, plus occasional earthquakes, cause frequent landslides. Despite the heavy rains during the monsoon season, many parts of the country also endure severe drought for much of the year, which contributes to the destruction of forests and cropland through fire.

Almost 500 people die annually from natural disasters. In 1999, the country experienced the worst combination of disasters in many years; over 800 people died and property damage was estimated at 300 million US dollars. In 2000, floods along the Mekong delta area resulted in an estimated additional 250 million US dollars in damage.

One reason for the seriousness of floods in Viet Nam is the high percentage of people living in low-lying areas near riverbanks. The river delta areas in both the north and the south are among the most densely populated agricultural areas in the world. This intense human activity has led to substantial modification of the natural watercourses. The construction of dykes in the Red River delta near Hanoi has resulted in the reclamation of

substantial amounts of prime farmland. While these dykes protect farmers from most high water periods, they are occasionally breached and a large number of people living in the delta area are vulnerable to flooding. Mitigating the impacts of natural disasters is a challenging task for the national government and the hardest-hit provinces.

RURAL DEVELOPMENT, POVERTY AND DISASTER MANAGEMENT

During the past five years, UNDP and the development partner group have supported the government in its efforts to create a Strategy for Disaster Mitigation in the Mekong River Delta, a 10-year Strategy and Action Plan for Mitigating Water Disasters in Viet Nam (2001-2010) and a National Disaster Management Partnership (NDMP). Perhaps the most valuable strategic contribution of this effort has been the clear recognition of the need to integrate disaster mitigation into poverty reduction and sustainable development plans. All too often disaster mitigation teams develop into highly technical units that serve only a narrowly defined purpose. Their information and their insights are often unavailable to development planners.

The creation of the National Disaster Management Partnership enabled the government to pool resources from the Netherlands and Luxembourg, as well as from several international NGOs. Recently, the World Bank completed an identification mission for a 150 million USD loan for disaster mitigation.

THE DISASTER MANAGEMENT UNIT (DMU)

Over the last five years, UNDP support for disaster management has contributed to greater community awareness concerning disaster warnings and mitigation measures. The new Disaster Management Unit within MARD has an on-line network providing

connections with all the provinces. This has contributed significantly to rapid dissemination of disaster warnings and information, which enables government units to collaborate on making decisions and arranging assistance.

UNDP's fairly modest support for disaster management has had substantial impact in terms of institutional capacity building. A national system for disaster warning and management throughout the whole country will allow Viet Nam to cope with disasters in a more effective way. Projects under way all around the country demonstrate the strengthened capacity of local and provincial Disaster Management Units. For example, working with resources from the US Foreign Disaster Assistance Office, UNDP supported flood mapping in seven provinces in central Viet Nam. This led to the development of a river flood warning alert system in the area.

UNDP also supported the preparation of a computerized mapping system for disaster management using Global Information Systems technology. The maps produced are used to assess disaster-prone areas and recommend priorities for emergency relief when disaster strikes. This initiative will promote the goals of the NDMP by integrating disaster management with overall sustainable development activities in the areas covered.

CHALLENGES OF LOCAL CAPACITY

It is critical to increase disaster management capacity at the provincial and local level. The national government can only do so much to assist local areas. Disaster mitigation needs to be considered as a part of routine reviews when infrastructure projects or land use alteration schemes are presented to commune, district or provincial officials for approval. Despite progress made in the past five years, serious capacity limitations remain that hamper national coordination efforts and limit local ability to assess the impacts of capital investment decisions on local vulnerability to disasters.

UNDP will be working closely with the NDMP on completing its Development Plan this year. One of the preliminary tasks will be to conduct an assessment of the current institutional location of the DMU. Since most other aspects of water resource management, both concerning quality and quantity, have moved from MARD to MNRE, it is critical that the DMU and NDMP move as well.

Officials in the government and international agencies reported to the evaluation that there was a lack of well-coordinated information that could be used for integrated analyses of development problems. Conditions of disaster, poverty and environmental degradation are highly local phenomena that are best addressed by localized interventions. Unless development projects are supported with up-to-date, place-

Conditions of disaster, poverty and environmental degradation are highly local phenomena that are best addressed by localized interventions.

based data, their activities are likely to be unfocused, inappropriate, and ineffective in terms of environmental management and poverty elimination. One of the best ways to make information meaningful and accessible to people is to tie it to local maps like those prepared with the Geographic Information Systems technology. Widespread use of the GIS maps would also allow national decision-makers to recognize similarities among geographically distant locations that might not be otherwise apparent. The information system developed by the Disaster Management Unit could serve as the basis for such a system.¹⁰

10. Such a move would replicate the successful model undertaken by UNDP and SIDA with the Government of Bangladesh beginning in the late 1980s. There the entire country has been mapped in an integrated manner for disaster mitigation, infrastructure management, market development and social service delivery. Similarly, Nepal and the Philippines (especially individual cities and provinces) have used GIS to expand the frame of reference for local development issues to address a wide array of poverty, environment and governance issues.



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