

CHAPTER IV

VIETNAM'S STRONG OWNERSHIP OVER CPRGS

4.1. Strong Government and Interventionist Strategies

Besides the Vietnamese complacent acknowledgement that all development programs are in-country designed and implemented, there is consensus among donors and international non-profit groups operating in Vietnam that the CPRGS process is truly country-driven-and-owned. As was discussed in the previous chapter, although Vietnam is not part of the HIPC arrangement, and therefore was never required to produce a PRSP, the Vietnamese government had its own, internal poverty reduction strategy, known as Hunger Eradication and Poverty Reduction Program (HEPR). Along with HEPR, Vietnam was preparing its two main development documents, the five-year SEDP and the ten-year SEDS, when the PRSP initiative was announced. The government saw an excellent funding opportunity in the PRSP project and started yet a new, separate and parallel process for its drafting. Once the initiative was announced in Vietnam, vast donors' and INGOs' technical assistance for the preparation of the PRSP began to pour in, nevertheless, the government was the leading planner of PRSP, and was the one identifying its course of action, content and priorities.

The document drafts have been first written in the Vietnamese language and out of eight Vietnamese versions several were later selected for translation into English for donors' and international NGOs' input.⁸⁷ Looking back to the I-PRSP process, the WB has

⁸⁷ Oxfam, which is actively involved in PRSP processes throughout SE Asia, mentions for comparison that in Cambodia, for example, first drafts were written in English by consultants and later translated into Cambodian for adoption / Interviews with Oxfam GB in Vietnam/. Also, MPI's Department of National Economic Issues, responsible for the production of the CPRGS and other national development documents, produced the first English draft for donors in 2002 and the second English draft in 2004, after an additional chapter on infrastructure development was added / MPI Interviews

commented that it has not yet seen any other document in the world which had been produced under full initiative by the government.⁸⁸

In an attempt to explain why the government of Vietnam has so successfully secured its driver's seat over the PRSP process, one should look at the successes Vietnam scored in its reforms initiatives and the role of the state in this achievement. As noted by the political economist Dan Ton That, a prerequisite for a successful start of reforms, is a strong role of the state. The role of government intervention to achieve economic progress has to be clearly charted and publicized. The state should also look into how it can attract foreign direct investment and international assistance and maximize the benefits derived thereof for economic reform and development.⁸⁹ The political history of Vietnam leading to the establishment of a powerful, popular and authoritative, one-party regime was a defining factor in securing a vigorous environment for a successful reform, as well as in the management of the PRSP process. Tough leadership and well-settled top-down approach in the decision-making process, as well as the interventionist strategies for development, leave little room for donors to take the lead in the formulation of development policies. Since the inception in 1986 of a wide-spread systemic reform program, called *doi moi*, or renovation, which launched a transition from a centrally planned economy to a market economy with a socialist orientation, the government of Vietnam has pledged strong commitments to modernization, industrialization, economic growth, opening up to international markets and poverty alleviation.

If many transitioning former communist nations suffered economic recession mainly because institutions at different levels were destroyed (under a highly emotional aversion towards everything that was communist) when the state system did not yet develop substitute establishments and thus stopped performing traditional functions in a very volatile stage, Vietnam avoided economic recessions and political crises associated with institutional reform, precisely because it preserved its strong authoritarian regime and

⁸⁸ UFJ Institute LTS, 2005, *The Poverty Reduction Impact of Economic Infrastructure Project (2). Key Issues and Lessons learned from Vietnam's CPRGS Process*, Final Report, accessed in July 2005, at <http://www.grips.ac.jp/forum-e/>

⁸⁹ Than, Mya and Tan Joseph L.H, 1993, *Vietnam's Dilemmas and Options. The Challenge of Economic Transition in the 1990s*, Singapore: ASEAN Economic Research Unit, Institute of Southeast Asian Studies

continued to enforce rules and regulations, thus generally being capable to ensure order and stability. Vietnam has neither ever landed up on the aid-reliance pathway, contrasting many African least developed countries (LDCs), under the leadership of international financial institutions (IFIs). When in the '80s and '90s LDCs were purging state intervention, public ownership and protectionism⁹⁰ to follow liberal development approaches inflicted by the Bank and IMF, Vietnam was precisely employing interventionism traits to basically achieve the same goal: liberalize its economy and modernize its institutional structures. When former communist nations were actively embracing Washington Consensus (WC)⁹¹ principles allowing Washington-led institutions to run the transformation process, Vietnam precisely used the government as an important resource in securing a safe transition to a market economy and therefore, applied interventionist strategies, much like its advanced neighbors, to reach the outcomes that were not much different from what was expected through WC application.

4.2. Vietnam and Bretton Woods Institutions' Common Interests

The sense of strong ownership over the CPRGS process also derives from the tight relationship with donors established during the structural adjustment lending period. From their very beginning, reforms were conducted under a highly centralized and scrupulous authority. An assessment of IMF Department of Policy Development and Review acknowledges that under the Structural Adjustment Facility (SAF), and later under the Enhanced Structural Adjustment Facility (ESAF), known as the IMF's most intrusive policy frameworks in countries undertaking reforms, the government of Vietnam was directing the terms of funding.

Party Congresses have been an important forum for policymaking and consensus building, thus decisions were taken after lengthy periods of internal debate, especially at the upper

⁹⁰ IMF Policy Development and Review Department, 1997, *World Economy in Transition: Experience under the IMF's Enhanced Structural Adjustment Facility*, accessed in July 2005 at <http://www.worldbank.org/fandd/english/0997/articles/0150997.htm>

⁹¹ Conceptually, Washington Consensus was reflecting neo-liberal prescriptions to developing economies, and geographically, it referred to the place where global neo-liberal economic policies were shaped by IMF, WB and various branches of US government, located in Washington DC

echelons of the party. The decisive landmark in the government's liberalization effort was the decisions taken by the Sixth Party Congress held in 1986, which recognized the need for a fundamental modification of the socialist model of development. These paved the way for the adoption of comprehensive measures of stabilization and structural reforms.⁹²

Government's own initiative to start a massive reform program was thus absolutely decisive in establishing country ownership over the development and reform processes, which would comply, in fact, with the first clause of the four-dimensional variable reflecting the degree of country ownership, established by Johnson and Wasty, as mentioned in the first chapter. Furthermore, not only did the initiative of reforms come from the Vietnamese government, but there was also agreement in the type of policies to adopt and the type of reforms to pursue. Both Vietnam and IMF/WB had the same macroeconomic goals. They were both striving for economic liberalization and they both wanted a prosperous Vietnam. With the initiation of *doi moi*, the government started the reforms with trade liberalization (it especially encouraged private entrepreneurs to participate in domestic and external trade), provision of greater financial autonomy and decision-making responsibilities to state-owned enterprises (SOE), introduction of new liberal foreign investment loans, encouraging the diversification and competitiveness of agricultural products, restructuring of the banking system, adjustments in foreign exchange rates and reforms in the pricing system.⁹³ So, the direction of Vietnam was in perfect match with that of Bretton Woods Institutions and therefore, neither IMF nor the WB had to impose their prescriptions on the Government of Vietnam. On contrary, both multilateral institutions were happy to support the reforms because Vietnam's liberalization was in their interest.

What is remarkable about the implementation of these reforms is that they were made without external financial assistance from industrialized capitalist countries or multinational institutions.⁹⁴

⁹² Report by a Group of Independent Experts, June 15, 1998, External Evaluation of the ESAF, Country Profiles: Vietnam, accessed on 5 July 2005 at <http://www.imf.org/external/pubs/ft/extev/esaf3.pdf>

⁹³ Than and Tan, 1993

⁹⁴ Ibid.

Gradual approach was crucial in acquiring nation-wide support, and if the nation was behind the reforms, there were more chances for general mobilization of resources and attraction of foreign capital, both private and official development assistance (ODA). Although the government was constantly hunting for financial assistance along with technical expertise from different resources, including the Bank and the Fund, fundamental policies were adopted by the government after thorough debate and without external pressure.⁹⁵ So, the role of foreign technical assistance, at least in the first phase of reform implementation, was only secondary. It never determined the outcomes of the development and reform processes. Nevertheless, some assessment reports reveal that certain tensions between the fast-pace approach promoted by IFIs, especially by the IMF, and the gradual approach insisted upon by the Government, as well as tensions caused by differences in styles of negotiations, were frequent when deciding loan packages. Yet, in all instances, the Government appeared resilient to accepting IFIs' conditions, notably in terms of structural reforms such as privatization, tax reform and trade liberalization, whose political economy was extremely difficult to manage given that Vietnam had had no previous experience with market reforms, and in which the closed economy had developed such strong political and ideological roots.⁹⁶

In the end, the successful economic performance and strong country ownership secured the acceptance of gradualism by multilateral donors, and the gradual structural transformation is seen as benefiting everyone. It gives the government enough time to measure up trade-offs, find appropriate mechanisms to implement the changes in a way they don't hurt so much the population, it gives the private sector enough time to learn the market mechanisms and become competitive, and it pleases the donors. In many terms, Vietnam's gradualism and interventionist strategies prompt many to believe that Vietnam is successfully pursuing a developmental state model⁹⁷, widely applied in East

⁹⁵ IMF, 1998

⁹⁶ Ibid.

⁹⁷ Asian industrial strivers, China and Vietnam, adopted the "developmental state" model in circumstances so different than those of Japan and the four Asian dragons that many observers questioned whether the pathway to industrialization in these two countries can be correlated to "developmental state" at all. As Geoffrey McNicoll states, the "developmental state" is pitted against the "Washington Consensus", and there is no clear-cut victor in applying this model: partisan declarations favouring one side often implicitly assume conditions, or borrow policy elements, characteristic of the other side, blurring the contrast. Reflecting this quasi-merger is the hybridized "post-Washington Consensus" strategy, with good governance a central feature and the hard edges of neo-liberal economic orthodoxy

Asian economies after the Second World War, but in contrast to its several accomplished neighbors, it failed to become a “strong but limited state”, what in the rationalization of Hilton Root means a state that “is not only strong enough to establish and maintain rights but is constitutionally prevented from violating those rights”.⁹⁸ Vietnam, according to Root’s categorization fits rather to a “strong and unlimited state” type that, in spite but also because of its controlling regime, lacks constitutionally defined limits, and therefore is likely to continue to be interventionist not in a way that creates incentives for political officials and private businesses to abide by limits of their power, but in a plundering way that turns political and business elites into predators of private-sector wealth.⁹⁹

4.3. Political Stability and Consensus

Since the *doi moi* program did not progress too much into political liberalization to allow for existence of opposition views while the judicial system is still very weak to represent a watchdog to government performance and accountability, Vietnam is still a very long way from establishing and achieving a governance system based on rule of law to prevent wide-spread corruption and impede abuse of power. Neither the civil society has been developed enough to embody a system with alternative inputs to governmental policies and strategies, nor does a vibrant media exist to expose government failures to avoid bad policies in the future. In view of that, the implementation of CPRGS is endangered by the fragile legal system that is not yet capable to motivate elites to refrain from superposing their private interests over public commitments. But on the other hand, the lack of an open political system is precisely seen as an advantage to ensure the consensus supporting the accountability behind CPRGS and its derivatives. As Gwynne, Klak and Shaw put it in comparison, India’s democratic freedoms mean little to the many millions of its citizens who are impoverished and marginalized.¹⁰⁰ Political legitimacy is crucial in

softened by some concessions to managed trade and a social safety net. (Policy Lessons of the East Asian Demographic Transition, McNicoll, Geoffrey, paper prepared for the XXV International Population Conference, Tours, 18-23 July 2005, accessed on 12 August, 2005 at <http://iussp2005.princeton.edu/download.aspx?submissionId=51353>)

⁹⁸ Root, Hilton L., 2001, Do Strong Government Produce Strong Economies?, *The Independent Review*, v. Vm n. 4, Spring 2001, pp. 565-573, accessed on July 15 2004, at http://www.independent.org/pdf/tir/tir_05_4_root.pdf

⁹⁹ Ibid.

¹⁰⁰ Gwynne, Robert N., Klak, Thomas and Shaw, Denis J.B., 2003, *Alternative Capitalisms, Geographies of Emerging Regions*, Chapter 6: East Asia: The Japanese and Chinese Development Models and their Regional Impacts, New York: Oxford University Press

avoiding disruptions in economic reforms, and by having the interests of a strong single-party leadership dominating the whole political spectrum Vietnam secured an intellectual consensus among key policy figures over the applicability of principles entailed by the PRSP approach. In a report evaluating the implementation of programs supported by the IMF's SAF and ESAF frameworks, Mecagni found that some 20% of 51 interruptions experienced in 36 countries, were due to political interruptions serious enough to call into question the continuing authority of the government and, therefore, to prevent meaningful negotiations.¹⁰¹,¹⁰² Dollar and Svensson found that success in structural adjustment programs of the WB are mainly explained by political economy factors. In particular, success is associated with democratically elected government and with political stability.¹⁰³

To show the extent to which the Vietnamese government lingers behind a stable political environment is to show the positive figures of its economic growth and poverty reduction stemmed directly from the balanced systemic reform. Many analysts argue that legitimacy is reached usually where free and open public debates exist, where parliamentary deliberation and voting, referenda and multi-stakeholder policy dialogues ensure a setting for societal approval. Vietnam has neither of these traits, or at least not in a sense accepted in the West. Political consensus in Vietnam usually means disseminating the information to different sectors of society on a hierarchical circuit and in a propagandistic manner. Yet, Johnson and Wasty maintain that political stability is not necessarily related to the political regime, and there is no systematic evidence that a specific regime type intrinsically exhibits a greater degree of political will in support of reform. Support (or lack of opposition) from pressure groups towards their government's pursuit of reforms, they sustain, is perhaps the single most significant factor in

¹⁰¹ Mecagni M., 1999, *The Causes of Program Interruption*. In: Johnson, E.G. Omotunde, 2005, *Country Ownership of Reform Programs and the Implications for Conditionality*, UNIDO

¹⁰² Mecagni refers to program interruptions as either an interval of more than six months between different annual or multiyear IMF arrangement or a delay of more than six months in completing a program review (Mecagni, 1999)

¹⁰³ Dollar D. and Svensson J., 2000, *What explains the Success or Failure of Structural Adjustment Programs*, Economic Journal, Vol. 110 (466): 894-917. In: Johnson, E.G. Omotunde, 2005, *Country Ownership of Reform Programs and the Implications for Conditionality*, UNIDO

government's ownership of the reform program.¹⁰⁴ That among Vietnamese key policy figures there was no serious political opposition to the adoption of CPRGS is well acknowledged, less agreed upon is that consensus was reached through consultations. Although the government states at the beginning of the CPRGS that it held various types of consultations and partnership meetings with different line ministries and state agencies, many argue that the principle of internal "partnership and cooperation" was not fully explored in the formulation of CPRGS, and that consultation with sectoral ministries and local authorities at the district and communal level were almost absent. The main actors in the process were the office of the Prime Minister, the Ministry of Finance and the Ministry of Planning and Investment. Health or Education Ministries had almost no access to the process of consultation, not mentioning to the process of policy making and development planning.¹⁰⁵

Much more criticisms were launched towards the way in which consensus was being built among state and non-state actors. The previous chapter discussed about the civil society participation and consultations held at community level in poverty assessment exercises. Apparently, the new method to diagnose poverty with views from the poor and with research techniques developed in intense debates between donors, NGOs and government specialists, created an opportunity to understand poverty beyond its income and monetary dimensions. However, the decision about which NGOs should participate in the CPRGS research, formulation and implementation was selective, according to some analysts, and was strongly attached to an elitist top-down approach. The government decided to invite local NGOs in participatory exercises only after it was pressured by international donors.¹⁰⁶ The number of International NGOs (INGO) selected for PPAs was decided as a result of an "election" process among the groups themselves. Since the selected INGOs undertook an important part in the poverty research

¹⁰⁴ Johnson, J.H. and Wasty S.S., 1993, *Borrower Ownership of Adjustment Programs and the Political Economy of Reform*, World Bank Discussion Paper. In: Johnson, E.G. Omotunde, 2005, *Country Ownership of Reform Programs and the Implications for Conditionality*, UNIDO

¹⁰⁵ World Bank Vietnam Interviews

¹⁰⁶ ActionAid International Vietnam Interview

contributing with significant expertise and financial assistance, the Government was only glad to allow them participation as it regarded the major INGOs almost as donors.¹⁰⁷

Having that in mind, there might be pointed two major weaknesses in relation to engaging civil society in the process of CPRGS. First, because of a weak embryonic local civil society, Northern major NGOs tend to dominate the party representing the civil society in CPRGS consultations thus promoting a certain Northern agenda. Second, it is a question of legitimacy. Why would NGOs assume more legitimacy in representing the interests of the poor than governments that have established political legitimacy?

4.4. Institutional Framework

PRSPs, as any other policies, cannot be formulated or implemented in a secluded manner, on an empty field. Their success depends on established, well-functioning administrative and institutional structures that authoritatively prevent political misconduct over private sector profits, and constitutionally entail a sincere and disinterested mobilization of public resources for effective poverty reduction and sustainable growth. But to strengthen the rule of law – from refining legislation and establishing enforcement mechanisms to reforming the entire public administration system, which is cross-cutting, therefore a very difficult project – requires tremendous resources and commitment in all fields and at all levels – and Public Administration Reform (PAR) is what Vietnam is precisely prioritizing in the *doi moi* agenda. Donors and other development partners frequently like to say that “PAR is everything and everything is PAR”, and it is not an embellishment, as to achieve successful policy implementation, including implementation of poverty reduction strategies, Vietnam has strongly linked PAR, especially decentralization programs, to poverty reduction policies. In the words of a UNDP report, PAR is a priority in development and should be related to CPRGS because the weak performance of the public sector reduces the effectiveness of efforts to tackle inequalities and reduce poverty.¹⁰⁸

¹⁰⁷ ActionAid International Vietnam Interviews

¹⁰⁸ Ministry of Home Affairs (MOHA) Interviews

The Decree on Grassroots Democracy Regulation is one such example. It is believed to be an initiative that brings into play people's democratic rights and encourages initiative at the grassroots level.¹⁰⁹ The decree, which is guided by the popular slogan "people know, people do, people supervise" apparently requires all authorities at the level of communes and towns to respond to citizens' request for any information on government policies, to organize consultations and discussions about development projects intended to be completed in their communities or region, and most importantly, to encourage reporting of misconduct of public officials, which is a measure hopeful to tackle corruption. The Decree on Grassroots Democracy also stipulates the increase in number and advancement in qualifications of poverty specialists at communal level to encourage consultations on how to overcome hardship. It also specifies transparency in announcing investment and business opportunities, along with the creation of mechanisms to monitor the implementation of project by the people. The effects of this decree on poverty reduction might not be obvious immediately but it is seen as a crucial mechanism to support the creation of a legal and institutional environment for successful implementation of poverty reduction goals.

In other words, the adoption of CPRGS did not materialize on a ground at rest. The government of Vietnam had exercised the ability to independently establish visions, policies and institutional mechanisms for much longer, thus, when the WB announced the PRSP initiative, Vietnam adhered to it with full control over the process.

So, the level of country ownership and interventionist strategies, as proved by Vietnam, by far does not depend on WB policy frameworks, no matter how much they support governments' own initiatives. It is at the discretion, competence and commitment of each government to create the necessary environment for taking the lead in the development process. When governments lack technical capability and visionary approach though, the WB is readily available to assist, and the case of Vietnam makes evident that receiving

¹⁰⁹ Socialist Republic of Vietnam, 2005, Achieving the Millennium Development Goals, Report of Vietnam, Draft V, Hanoi

technical aid from the WB does not necessarily mean agreeing with its political and ideological price. But the independence that Vietnam enjoys in its relation with the WB, founded in its relative self-reliance and a number of other reasons, is one of the few exceptions among PRSP countries. The question is how to ensure that aid-reliant nations achieve country ownership in regions where societies and governments are deeply polarized, where political systems are de-legitimized, where wars and conflicts create rebellious movements and fleeing populations? Furthermore, to seek advice in formulating and implementing the PRSP from the institution that ultimately endorses it seems a vicious circle for countries heavily reliant on foreign aid, and there are clear tensions arising from the Bank's role as both advisor and endorser of a country's PRSP.¹¹⁰

Notwithstanding the importance of discussing about the tensions between the WB and recipient governments over who decides the policy framework, it is significant to mention that the achieved successes in poverty reduction in Vietnam have little to do with donors' prescriptions and interventions, and that they are rather related to the commitment of the government to achieving strategies initiated long before the launch of PRSP. For that reason, many donors align their projects to Vietnamese already existing and functioning policies and plans, rather than recommend or inflict their own development approaches. Vietnam in this perspective is an ideal case to exemplify that full country ownership is not the result, nor the merit of the PRSP process – it is the effect of political weight that the government acquired during its recent history. It is nevertheless a case to show that the alignment of the WB to the existing policies of the country is a sign that the WB tends to get less involved in policy formulation and more concerned with institutional support. But yet again, critics of the WB contend that IFIs tend to support home-grown policies only if they are consistent with neo-liberal targets and once more, Vietnam is an ideal case to exemplify that full country ownership is related to the common interests that it has with Bretton Woods Institutions.

¹¹⁰ CIDSE-Caritas International Background Paper, April 2004, *PRSP: Are the WB and IMF Delivering on its Promises?*, accessed in July 2005, at <http://www.cidse.org/docs/200404221144166307.pdf#search=cidsecaritas%20PRSP%202004>

Many also argue that strong management and institutional capacity, albeit not in tune with Western standards and by far not accommodated to democratic requirements has equally attributed Vietnam the lead position in the CPRGS process. At the same time, Vietnam has sufficient internal resources and capacity to lead it. Many consultants are frequently quoted as saying: “with or without donors, Vietnam would have reached the fast-pace growth anyway”. With such a degree of independence from donors, Vietnam affords to take the lead in the development policymaking, exercise full responsibility for its own decisions and bear the consequences. Therefore, Vietnam is a successful case of country ownership of the PRSP process but as stated above, the ownership can not be attributed to the PRSP initiative.¹¹¹

If summarized in order of significance, a number of factors play a role in strong government ownership over CPRGS, and the UFJ Institute described them as follows:¹¹²

1. Strong central leadership of government with a top-down decision-making approach
2. Relative self-sufficiency and small reliance on Official Development Assistance
3. Relatively high management capacity
4. Strong inclination towards keeping out donors’ intervention
5. Strong commitment towards social equity and poverty reduction
6. Previous experience in coping with poverty eradication.

¹¹¹ MOHA Interviews

¹¹² UFJ Institute, 2005