
Rapid Assessment of the PRSP

Formulation Process

A Case Study of Vietnam

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Table of Contents

TABLE OF CONTENTS.....	2
EXECUTIVE SUMMARY.....	3
LIST OF ABBREVIATIONS	4
INTRODUCTION	6
BACKGROUND.....	6
OBJECTIVES.....	6
RESEARCH TEAM	7
METHODOLOGY	7
SAMPLING.....	7
LIMITATIONS.....	8
GENERAL CONTEXT	9
COUNTRY SETTING.....	9
PAST RECORDS ON POVERTY REDUCTION.....	11
THE PLANNING PROCESS BEFORE PRSP	12
INTRODUCTION AND FORMULATION PROCESS OF THE I-PRSP	12
ACTORS IN THE PROCESS	14
KEY PLAYERS.....	14
COMMITMENTS OF STAKEHOLDERS TO POVERTY REDUCTION.....	15
ROLES OF KEY PLAYERS IN THE PROCESS OF FORMULATING I-PRSP	18
RELATIONSHIPS AMONG KEY PLAYERS	19
LOCAL CAPACITY FOR THE PRSP PROCESS	21
CAPACITY OF CSOs TO ENGAGE IN THE PROCESS.....	21
CAPACITY OF THE GOVERNMENT TO LEAD THE I-PRSP PROCESS	22
COHERENCE WITH CDF PRINCIPLES	23
A) FROM DESK REVIEW	23
B) FROM INTERVIEWS AND SURVEY.....	24
CONCLUSIONS	28
STRENGTHS.....	28
WEAKNESSES.....	28
SUGGESTIONS.....	29
BIBLIOGRAPHY.....	30
LIST OF PEOPLE INTERVIEWED	ERROR! BOOKMARK NOT DEFINED.

Executive Summary

Vietnam is one of the poorest countries in the world despite significant improvement in poverty reduction during the last decade. In 1999 Vietnam was selected to be a pilot country where the WB implements the Comprehensive Development Framework (CDF). However, Vietnam did not complete CAS/CDF document before the WB and IMF introduced the new instrument, the Poverty Reduction Strategy Paper (PRSP). In mid 2000, the government of Vietnam assigned the Ministry of Planning and Investment (MPI) to be the focal point for the preparation of IPRSP, showing the interest of Vietnam on the adjustment loan.

The IPRSP formulation process in Vietnam is participatory. During the preparation process, MPI has gone through seven official drafts. Between each draft, wide consultation has been conducted with line ministries, government research institutions, donor community, INGOs and MOs. The government also tried to include LNGOs and primary stakeholders such as CBOs in the process despite that these small stakeholders have not secure an formal position in the consultation process. Comments from all concerned parties are welcomed by the I-PRSP drafting team even though not many comments of NGOs were translated into the I-PRSP.

The process of formulating IPRSP in Vietnam is strongly led by the Government. Planning is one of the main strengths of the Vietnam government. Before the introduction of PRSP, the government has completed many poverty reduction documents such as 5-year plan (2001-2005), 10-year strategy (2001-2010) and especially the comprehensive poverty reduction strategy (CPRS). The contents of government documents have no contradiction to the CDF and guidelines of PRSP. Thus, the government poverty specialists have no technical problem in formulating the IPRSP. Even though wide consultation with donors and NGO community have been conducted, the government always maintain the driving seat position in the I-PRSP formulation process.

The I-PRSP formulation process also shows strong partnership among government, donors and NGOs, especially INGOs. Among government agencies, MPI and MoLISA have worked closely in formulating the paper. Experiences of MoLISA in formulating poverty reduction plans have been fully integrated into I-PRSP formulation process. Additionally, the drafting team of MPI also mobilized international expertise and practical experiences of NGOs into the process. MPI also invited international consultants, many of whom introduced by donors, to give comments for I-PRSP drafts.

The final draft of the I-PRSP has been submitted to the boards of WB and IMF and has been highly appreciated.

List of abbreviations

AAV	Action Aid Vietnam
ADB	Asian Development Bank
ANGOC	Asian NGO Coalition for Agrarian Reform and Rural Development
AusAID	Australian Agency for International Development
CAS	Country Assistance Strategy
CBO	Community-Based Organization
CDF	Comprehensive Development Framework
CDG	Co-operation and Development Group
CECI	Centre for Education and Cultural Exchange International
CEPEW	Centre For Education Promotion and Empowerment of Women
CG	Consultative Group
CPRP	Comprehensive Poverty Reduction Programme
CRD	Centre for Rural Development in Central Vietnam
CSO	Civil Society Organisation
DANIDA	Danish International Development Agency
DFID	Department for International Development
EAPR-NGOWG	NGO Working Group on World Bank Issues of the East-Asia Pacific Region
ECO-ECO	Institute of Ecological Economy
FDI	Foreign Direct Investment
GTZ	German Technical Co-operation
HDI	Human Development Index
HEDO	Highland Education Development Organisation
HERP	Hunger Eradication and Poverty Reduction
HIPC	Highly Indebted Poor Country
ICCO	Inter-Church Co-operation Organisation
IFIs	International Financial Institutions
ILO	International Labour Organisation
IMF	International Monetary Fund
INGOs	International NGOs
I-PRSP	Interim Poverty Reduction Strategy Paper

JICA	Japan International Co-operation Agency
JSA	Joint Staff Assessment
LERES	Centre for Legal Research and Services
LNGOs	Local NGOs
MARD	Ministry of Agricultural and Rural Development
MO	Mass Organisation
MoF	Ministry of Finance
MoLISA	The Ministry of Labour, Invalids and Social Affairs
MoSTE	Ministry of Science, Technology and Environment
NGOs	Non Government Organisations
OXFAM GB	Oxfam Great Britain
PER	Public Expenditure Review
PPA	Participatory Poverty Assessment
PRSP	Poverty Reduction Strategy Paper
PTF	Poverty Task Force
PWG	Poverty Working Group
RaFH	Centre for Reproductive and Family Health
RTCCD	Hanoi Research and Training Centre for Community Development
RDSC	Rural Development Services Centre
SIDA	Swedish International Development Authority
SME	Small and micro-enterprises
TEW	Towards Ethnic Women
UNDP	United Nations Development Programme
VCCI	The Vietnam Chamber of Commerce and Industry
VFU	Vietnam Farmers' Union
VLSS	Vietnam Livings Standards Survey
VND	Vietnam Dong
VWU	Vietnam Women's Union
WB	The World Bank

INTRODUCTION

Background

Vietnam is a country of transition economy, known as one of the poorest country, but with high level of success in poverty reduction in the last decade. In Vietnam the World Bank's (WB) engagement in its development is relatively new, however, the country is known as one of few examples of a good partnership between the government, WB and Non-government organisations (NGOs). Vietnam is also a CDF¹ country where the Bank explores how its approach works. This is in Vietnam the new WB's instrument, the Poverty Reduction Strategy Paper (PRSP), is under the first time implementation.

In Vietnam, the interest among NGOs both local and international in engaging in the policy dialogue with the government and multilateral monetary is growing. The number of organisations taking part in this process although small but it increases. Compared with the previous WB-NGO mapping exercise when only four NGOs responded to a small survey conducted by the Rural Development Services Centre, the respondents this time represents a much larger group.

In preparation for the regional meeting of East Asia Pacific Regional NGO Working Group on the World Bank (EAPR NGOWB), the Steering Committee Member in Vietnam, RDSC, has conducted two in-country activities: rapid assessment of PRSP process and the mapping of World Bank-Government-NGO relationship in the country. This report will focus on the first activity.

Objectives

The main aim of this rapid assessment is to contribute to the improvement of the efficiency of poverty alleviation in Vietnam. The specific objectives of the research is to identify:

- The commitment of the government and civil society in Vietnam to poverty reduction;
- The commitment of Vietnam to inclusive consultation and to utilising the outputs of consultation;

¹ CDF stands for Comprehensive Development Framework, a development vision recently adopted by the Bank.

- The planning and preparation of PRSP;
- The role and attitude of other donors than the WB;
- The potential role and capacity of civil society to engage in the process; and
- The government's capacity to lead a participatory process.

Research Team

The research team² formed by RDSC includes a supervisor who has more than ten years experiences in policy dialogue and engagement in consultation on poverty alleviation. The supervisor is responsible for the designing of relevant research tools and conducting the in-depth interviews with WB and government officials, and editing the final report. The team also includes an agricultural economist with strong research experiences in poverty issues. The researcher is responsible for reviewing literature, conducting questionnaire and in-depth interviews, processing the data, writing draft report. A Canadian volunteer is also actively involved in this research. Her contribution consists of desk review, comments and proof reading the report.

Methodology

Given the timeframe and resources the research team utilises the following methods:

- *Desk Review:* Review and analyse existing documents on the past and current poverty alleviation practices and the process of formulating IPRSP in Vietnam³. The research focused on the annual reports of the Government of Vietnam, UNDP, WB, ADB and the key international and local NGOs; workshop minutes and researches papers related to the research topics.
- *Semi-structured interviews:* The interviews will be conducted with the World Bank Representatives, Government Officials and L/I NGOs and other civil society organisations. The interviews focus direct information that lead to the fulfillment of the research objectives.

Sampling

For the Interviews:

² The research includes: Mr Dang Ngoc Quang, the team leader, Mr Nghiem Hong Son, Researcher, and Ms Barbara Volunteer.

³ List of these documents can be seen in Section XIII

The interview samples are selected non-randomly from the target organizations/ institutions, which have involved in the process of policy making and/or project implementation. The sample size includes 4 World Bank officials, 3 government officials. Also, the interviews cover 2 LNGOs (i.e., CEPEW and HEDO), 3 INGOs (i.e., OXFAM GB, ActionAid and CECI) and two Mass Organizations (MO).

Table 1: Overview of sampling

Target groups	Questionnaires			Interviews		
	Sent	Returned	%	Planned	Conducted	%
World Bank	3	2	67	3	4	133
Government	12	3	25	8	3	38
Mass Organisations	2	2	100	2	1	50
Local NGOs	15	2	13	8	2	25
International INGOs	15	3	20	5	3	60
Total	47	12	26	26	13	50

For the Survey:

The survey samples are selected randomly from the target groups with main selection criteria are experience in poverty alleviation and involvement in policy making process of the country. The total number of questionnaires sent-out includes 40 NGOs (20 INGOs and 20 LNGOs) and 10 government institutions. All questionnaires were sent by all the possible means (email, fax and post) as well as telephone for recipient confirmation. The total number of returned questionnaires is 8, which is small but double the figure of the previous mapping exercise. Generally the return rate of the questionnaire is somehow show the level of interest of the participation agencies.

Limitations

The small sample size of this research is a limitation on statistical reliability. However, the research has good inputs from direct interviews with proper sample selection criteria. Moreover, the research is based on the literature review from wide range of documents. Therefore, the small sample size does not create biases for this research.

GENERAL CONTEXT

Country Setting

a) Type of Governance

Vietnam is a socialist state with a single-party political system, and consensus type of governance. The Government is viewed as the structure through which policy approved by the Communist Party, is implemented. In the past, under the central planning period, all control is focused upon the Party. Theoretically, this tight control of the party aims to maximise the welfare for the nation. However, in practice of the central planning period, especially during the decade after the unification of the country in 1975, this monopoly-led consensus type of governance was far from achieving the goal to bring the prosperity for the nation. However, the country still shows a strong national identity, social and political stability and determination to catch up with the development of modern, industrial countries. In this context, the Party and the Government recognised that setting effective governance is essential for the sustainable development of the country. In the 6th Party Congress in 1996, a “renovation” policy was introduced to liberalise the economy. This transition of the economy has started to create the transition in governance.

Politically, the transition of governance is viewed as a process of moving from tight control under the Party to a more flexible, democratic and responsible system. This shift requires a process of decentralisation of power to empower the decision making at a lower level.

The Government has tried to strengthen the involvement of grass-root community in the economic decision making process long time ago. The slogan “people know, people discuss, people execute and people supervise” of President Ho Chi Minh has been considered as the key principle of the Party. Unluckily, the years in warfare and maintaining the inefficient central planning mechanism have limited the chance to apply this principle. In May 1998 the Government has concretised this principle by issuing the Decree 29/CP, which is better known as the “Grass-roots Democracy Decree”. The introduction of this Decree has legalised people direct participation in local decision making process as well as established transparency and accountability mechanism at commune level upwards. The Decree, therefore, also aims to improve governance at local level. International community has strongly appreciated the

introduction of this Decree and has considered it as an important step in implementing the four pillars of governance⁴ to the context of Vietnam.

b) Poverty analysis

Poverty incidence, even though has been reduced significantly in the past decade, remains quite a complex phenomenon. There are big different between rural and urban poverty. In the rural areas, 45% of the population is living below the poverty line. Because the percentage of population living in urban area remains low, 90% of the poor live in rural areas. Moreover, poverty incidence varies significantly across regions. The three poorest regions (i.e. Northern Uplands, Mekong Delta and the North Central Coast) account for 70% of the poor in Vietnam. In the urban area, even though the poverty incidence is only 10%, severe poverty still persist. Also, the increasing number of poor migrants in urban area may not be covered in the Vietnam Livings Standards Survey (VLSS) statistics. Poverty incidence still remains very high among ethnic minority groups. Although the ethnic minority groups account for only 14% of the population, they encounter for 29% of the poor in 1998, with the average poverty incidence of 75% among ethnic minority groups. Some ethnic groups are isolated both socially and physically.

Most of the poor in Vietnam are small-landholding peasants. The VLSS98 show that four-fifth of the poor worked mainly in agriculture. They have low education attainment level and limited access to information and functional skills. Thus, the opportunity of getting off-farm income is very rare. Households with large family size but few labourers often suffered from poverty because their limited income could not cover the burden of education and health costs. Newly-formed households often go through the initial phase of poverty because of limited access to land. Poor households are also frequently caught in debt trap.

Children and women are the typical victims of poverty. The VLSS98 showed that the poverty incidence among children is higher than other age groups and higher than the average for the whole population. Poor children have less chance to attend school and are trapped in a cycle of inherited poverty. Child labour is commonly used among poor households in trying to keep the family afloat from hardship. Women also unequal and inadequate access to social services. They have to work harder than men whilst having less power in the households as well as low voice in the community. The PPA results in 1998 show that a typical working day for women in rural Vietnam is 16-18 hours whilst the figures for men is about

⁴ These are transparency, accountability, predictability and participation.

6-8 hours. Working hard without proper rest, poor women often have health problems.

In short, poverty remains wide spread in Vietnam. There is big gap of poverty incidence across regions, among ethnic groups, age groups and gender. Poverty is more severe in rural areas; in critical regions, among ethnic minority groups. Children and women are the popular victims of poverty.

Past Records on Poverty Reduction

In late 1980s the government of Vietnam introduced a renovation program called *doi moi* with significant liberalisation for the economy. The introduction of this policy is considered the turning point for the acceleration of economic growth as well as poverty reduction. The average economic growth of the 1990-2000 period is 7.5% per annum and inflation has been maintained at one-digit level. At the same period Vietnam also achieved the best record in poverty reduction among developing countries. The poverty incidence decreased from 58% in 1993 to 37% in 1998⁵. The food poverty⁶ incidence also decreased significantly from 25% in 1993 to 15% in 1998. In the year 2000, the food poverty incidence continued decreasing to 11.4%⁷. Other indicators also show a clear trend of human development. According to UNDP Human Development Report 2000, the human development index (HDI) of Vietnam now ranked the 108th in the world, showing improvement for three (3) straight years. The income per capita in 1998 increased by 41% compared to the level of 1993. School enrolment, child malnutrition, access to resources and basic services also increased significantly. Almost no other country⁸ has recorded such fast reduction in poverty in such a short time.

Despite the rapid improvement in living standard, Vietnam remains one of the poorest countries in the world. Poverty is still wide spread, especially in the rural area where 45% of the population living below poverty line. Economic growth is reducing poverty but it also tends to widen inequality. The achievements in poverty reduction are impressive but fragile: millions of people are living just above the poverty line and

⁵ Unless otherwise specified, figures in this section are based on the Vietnam Living Standard Survey (VLSS) in 1993 and 1998, conducted by the General Statistic Office and World Bank.

⁶ The food poverty line is constructed by MoLISA, which is based on the income equivalent to less than 15 kg rice in rural and mountainous regions; 20 kg rice in the Delta and Midland regions; and 25 kg in the urban areas.

⁷ MoLISA has constructed a new poverty line, which is based on income of less than VND80,000 in rural and mountainous regions; VND 100,000 in the Delta and Midland regions; and VND 150,000 in the urban areas. If the new poverty line is applied, the poverty incidence of Vietnam in 2000 is about 25-26%.

⁸ Possible exceptions may be China and Indonesia in the 1980s.

they can be easily pushed back to poverty brought about by economic, social and/or natural shocks.

The Planning Process Before PRSP

National planning has been regarded as the typical tradition of a socialist country. Currently, the government of Vietnam has formulated the national five-year (2001-2005) program for hunger eradication and poverty reduction (HEPR). The Ministry of Labour, Invalids and Social Affairs (MoLISA) is assigned to formulate this document. The preparation process of HEPR has taken into account lessons learned from previous period as well as comments received from consultation with other ministries, donors and civil society organizations. Drafts of HEPR have been presented to various working groups and comments were welcomed by drafting team of MoLISA. However, there is a room for improvement on issues such as subsidised credit and urban poverty in the recent version of HEPR.

In early 1998 Vietnam started to formulate the Country Assistance Strategy (CAS). The CAS indicated the commitment among the World Bank, the Government, donor community and international NGOs to increase partnership with focus on poverty reduction. In the World Bank practice at that time, CAS is a confidential document produced in consultation with government, IMF and larger donors. In contrast to the Bank's custom, Vietnam is the first country where CAS was produced in wide consultation with international NGOs (INGOs), local NGOs (LNGOs), Mass Organisations (MOs), bilateral donors as well as other multilateral donors and published in English and local language (Vietnamese).

In 1998, the Bank also initiated a quantitative study (VLSS) and qualitative study (*Vietnam: Attacking Poverty*) on poverty alleviation conducted by Poverty Working Group (PWG)⁹, the two critical inputs for its annual Country Development Report 1999. Moreover, the government invited the PWG to collaborate with MoLISA to prepare the Comprehensive Poverty Reduction Program (CPSP) as part of the Government's 10-year strategy. The CPSP sets the framework for the 5-year plan HEPR of MoLISA.

Introduction and formulation process of the I-PRSP

In 1999 Vietnam was selected to be a pilot country where the WB implements the Comprehensive Development Framework (CDF). Apart from CAS/CDF, a Public Expenditure Review (PER) was also agreed at the Consultative Group (CG) meeting in June 1999.

⁹ A joint force of Government, donors and INGOs

The Bank announced in September 1999 that from January 2000 all adjustment operations and debt relief under the Highly Indebted Poor Country (HIPC) Initiatives should be accomplished by PRSP to ensure that loan/debt reduction is properly used for poverty reduction. In the case of Vietnam, an IPRSP is required to submit if the Government wants to get adjustment loan. The acceptance of PRSP by the government by mid 2000 has shown its interest on adjustment loan even though this has not been officially confirmed.

The government has assigned the Ministry of Planning and Investment (MPI) as the main responsible agency to prepare the document. It is widely acknowledged that the PRSP formulating process is participatory. The process of marking the IPRSP has officially gone through 7 drafts. However, according to the responsible official of MPI, the drafting team has completed more than ten drafts. During the preparation process MPI has consulted a wide range of stakeholders including line ministries, government research agencies, donors and civil society organizations including INGOs and LNGOs. Additionally, MPI also conducted series of workshops and seminars in the north, the south and the centre of Vietnam to present and discuss the I-PRSP with other related Government agencies, local authorities, their development partners. So far, the final draft of the IPRSP has been completed and has been sent to the Board of WB and IMF for approval. The resident mission of World Bank and IMF has conducted a Joint Staff Assessment (JSA) of the I-PRSP and proposed it to their Boards in the line with the I-PRSP.

It is confirmed by World Bank staff and Government officials in this research that International Financial Institutions (IFIs) and other donors funded a technical assistance for the process of formulating the I-PRSP.

Whilst the Government spends hundreds of billions of VND on the inefficient subsidised credit programs, budget for the preparation of policy is limited. In fact, the subsidised credits have resulted in the distortion of the credit market and corruption from implementing staff¹⁰. Meanwhile, due to the lack of proper study in practices and relevant expertise, the gap between policy and practice is significant. A tiny part from the subsidised funds for rural credit programs is more than enough for hiring qualified consultants, building capacity for staff and making proper consultation activities.

¹⁰ Field experiences of many NGOs show that significant part of the subsidised credit went to the middle of the better-off households.

ACTORS IN THE PROCESS

Key Players

Two key players in formulating the IPRSP are the Ministry of Planning and Investment (MPI) and the Ministry of Labour, Invalid, Social Affairs (MoLISA); other line ministries are contributing actors. The central player in the formulation process of the IPRSP in Vietnam is MPI, who was directly assigned by the Government to formulate the paper, and who lead this process. MoLISA also plays significant role in the process of formulating IPRSP. Before the introduction of PRSP to Vietnam in mid of 2000, MoLISA has formulated other related documents such as Hunger Eradication and Poverty Reduciton Programme (HEPR) and CPSP. During the process of formulating the IPRSP, MoLISA has contributed valuable comments for the drafting team of MPI. Other ministries such as the Ministry of Agricultural and Rural Development (MARD), the Ministry of Finance (MoF) and the Ministry of Science, Technology and Environment (MoSTE) also were involved actively in the process.

Donor community is also a key player in the process of poverty reduction as well as the formulation of the I-PRSP. There are several joint Government-donor working groups, where donors provided significant technical supports and funding for poverty reduction activities. Apart from the comprehensive Poverty Working Group (PWG), other sectoral working groups witnessed significant inputs from donors. Apart from technical assistance, most of the donors show their willingness to fund the process of formulating and implementing the PRSP.

INGOs are one of the most active players in the poverty reduction process in general and IPRSP formulation process in particular. The strong interest of INGOs in IPRSP formulation process comes from their long-term committment to poverty reduction in the country. Most of INGOs have their missions link directly to poverty alleviation. Apart from implementing development projects, some key INGOs have been interested in advocacy. INGOs are the key members of PWG, Poverty Task Force (PTF) and many other sectoral working groups. During the formulation process of the I-PRSP, key INGOs such as Oxfam GB, Oxfam HK, CECI, SCF GB and Action Aid have actively participated in all workshop and conferences on IPRSP. Inputs from INGO community are highly appreciated by the drafting team of MPI.

LNGOs are not considered as key players in the process despite that key LNGOs are involved in the consultation. To date, the legal framework for LNGOs is not yet clear. The terminology "LNGO", hence, is not familiar in Vietnam. Despite the comments from LNGOs, which are crystallised from

their first-hand experiences, are welcomed by the Government, there is no evidence that inputs from LNGOs are put into policy. There are some factors that lead to this. Operation scale of activities of LNGOs is rather small. Most of LNGOs projects/programs are operated at the village or commune levels. Thus, their specified micro-level experiences are often regarded as not easy to integrate into the macroeconomic policy at the PRSP framework. Moreover, most of LNGOs are funded by INGOs with focus on project-oriented activities. Thus, LNGOs do not have resources for policy advocacy. Finally, the policy advocacy is a sensitive sector that most of LNGOs might want to avoid.

Other civil society organisations such as mass organisations¹¹ (MOs), community-based organisations (CBOs), media, and religious groups have been involved in this process. However, there is almost no evidence of the utilisation of their inputs. The results of interviewing with the representative of Vietnam Farmers' Union (VFU) and Vietnam Women's Union (VWU), the two key MOs, have also confirmed this.

In short, the key actors in the process of formulating I-PRSP include MPI, MoLISA and related ministries; multilateral and bilateral donors; and some key INGOs. Even though the consultation also includes small stakeholders such as LNGOs, MOs, CBOs and private sector their position is relatively weak. CBOs and some LNGOs have to bring their voice to the IPRSP formulation process through the mediation of INGOs and donors. Some respondents in this research argued that the consultation with these local stakeholders is for formality's sake.

Commitments of Stakeholders to Poverty Reduction

The Government of Vietnam is strongly committed to poverty reduction. Since the establishment of the Democratic Republic of Vietnam (now the Socialist Republic of Vietnam) in 1945, the Government considered poverty reduction as one of the most important political tasks. President Ho Chi Minh called Poverty as one of the three "enemies" alongside with illiteracy and foreign aggression. The government's commitment is strongly expressed in the national Hunger Eradication and Poverty Reduction Programme, which started since the "Doi Moi" began in 1986. The government also conducts a number of other poverty-related programmes, such as "5-million hectares of reforestation", job creations, and resettlement programmes.

However, donors and NGOs and civil society organisations agreed that the programme implementation is often not as sound as commitment in

¹¹ This group includes the Vietnam Women's Union, The Farmers' Union, the Youth Union and Association of the Veterans.

policy. Some Government officials argued that the poor performance is due to lack of resources whilst other groups believed that it is due to the inefficient allocation of resources. Moreover, some INGOs stated that poverty reduction policies of the Government lack in-depth analysis and focus too much on subsidy intervention. Therefore, the outcome in practice is not as strong as political commitment. Other Government officials inferred that the gap between commitment and practices is due to the ideology from central planning period that will need proper time to change.

Multilateral donors also have very strong commitment to poverty reduction in Vietnam. Respondents in this research believed that the commitment to poverty reduction is the central part in policies of donors. They are closely linked with the Government and also have significantly support the Government in poverty reduction process. Multilateral donors are very keen on commitment to inclusive consultation and utilise the outputs of consultation. However, some INGOs argued that most of the policies of multilateral donors focus on macro level. The efficiency of resources allocation is not clearly stated in the process.

The level of commitment of bilateral donors to poverty reduction varies with donor agencies. Some bilateral donor programmes focus directly on poverty reduction whilst other do not give priority to this issue. For example, SIDA, DANIDA and DFID focus their assistance to poverty reduction. Meanwhile, JICA, AusAID and GTZ give more priority of infrastructure and business sector. However, the assistance on these sectors also leads to economic growth and, hence, creates positive influence on poverty reduction.

The results of this research show that INGOs commit very strong to poverty reduction. Most of INGOs have their missions directly linked to poverty reduction, and this is the reason of their appearance in Vietnam. INGOs have strong capacity to tackle poverty at grass-roots level.

The commitment of local NGOs (LNGOs) to poverty is also quite strong. Since the status of LNGOs is not very clear, their commitment has not been recognised by the Government. Also, some LNGOs are service-based, engaging in research or training or other consultant services, thus, poverty reduction is not directly related to their priority. There are only several LNGOs that have the capacity to involve in the policy formulation process of IPRSP. However, their inputs to the process is limited and has not resulted in any change in the process. (More detailed discussion about types of LNGOs and their activities in Vietnam are presented in mapping of WB-NGO relationship.)

Among civil society organisations (CSOs), MOs and CBOs and the media have strong commitment to poverty reduction. Since MOs and the media belong to the Government system, poverty alleviation is linked with their political task. The VWU has efficiently engaged in many welfare programs and development projects, especially rural credit and saving schemes. VWU also participates in the steering committee of the national HEPR program. Likewise, the Youth Union has conducted a number of programs on credit and job creations. The Vietnam Farmers Union (VFU) has also implemented several development programs funded by the Government. However, the MOs involved in this research admitted that there's still room to improve the quality of their involvement in the poverty reduction process, especially in the capacity building for their staff.

Community-based organisations (CBOs) is also a new phenomenon that has been established since *doi moi*. CBOs play the role of pre-cooperatives, which are established voluntarily by groups of people with the same interests for practical purposes such as credit and saving association, water users' associations and village development committee. Many CBOs were established by LNGOs and INGOs during the implementation of their projects. The characters of CBOs are varied; some operate independently with government, others involve local authorities and representatives of MOs. Despite their different characters, practical experiences have shown that CBOs are the most efficient and sustainable agency to tackle poverty, especially at grass-roots level. The commitment of CBOs to poverty alleviation is considered the strongest among all stakeholders because this links directly to their own shake. However, the inclusion of CBOs in development strategy has not been though formal and direct measure. Their consultation has been through the mediation of their partnership with INGOs and donors, via findings in the PPA and assessment of the PWG. An important reason is there is no legislative framework for CBOs to register as a formal organisation.

According to respondents in this research, the commitment of private sector to poverty reduction is weak. Only successful businesses show their interest through charity activities. However, looking by the other eye, private sector has contributed significantly to the poverty reduction. According to ILO assessment, the private sector contributes to 60% of the GDP and more than 90% of total employment. The Vietnam Chamber of Commerce and Industry (VCCI), the official representative of the private sector, has strong linkages to the Government. More importantly, VCCI has been consulted by the Government on economic policy, especially on the aspect of off-farm employment in the rural areas, credit system, and support small and medium enterprises (SMEs). VCCI also

participates in PWG, where it is dealing with the arena on SMEs. However, VCCI show more interest on the influencing roles on major economic aspect of the national 5-year plan. Thus, it can be said that although the commitment of private sector to poverty reduction is not strong; however they have significant capacity to influence the process.

Other CSOs such as religious groups have not showed their commitment in the process. There is almost no evidence about their engagement in development projects/programs. Also, no evidence about the consultation with any religious groups has been observed so far.

Roles of Key Players in the Process of Formulating I-PRSP

It is well acknowledged that the Government has the leading role in the I-PRSP process. Its assigned ministry, MPI, is responsible for the drafting of the document. During the preparation process, MPI has conducted a wide range of consultation with line ministries, Government agencies, civil society organizations and donors. Moreover, MPI has invited wider discussion from I/LNGOs to hear their experiences on poverty reduction at grass-roots levels. Discussions have also been held at key provinces in three main regions to get comments from local authorities. MPI welcomes comments and suggestions from other stakeholders but it gives final decisions whether or not the consultation results will be utilised.

Other players have supportive roles in the process. Key players such as multilateral and bilateral donors provide technical assistance and funding for the process. Among donors, World Bank and IMF have the most active roles in the process. The I-PRSP, even though prepared by the Government must follow guidelines of these IFIs and should be approved by them. Therefore, some opinions claimed that IFIs play the actual leading role in the process, not the Government. However, World Bank staff argued that guidelines cover only a basic part of the PRSP. The Government has a lot of room to explore for creativeness and innovation to formulate the paper suite to the country's context. Moreover, the Government maintains the right to give final decisions upon the comments and inputs provided by other stakeholders. Thus, the IFIs only play the supportive role and the Government is always in the driver's seat.

Key INGOs also show interest on funding the process as well providing comments based on their first-hand experiences and technical expertise. The INGO community has decided to select four INGOs in the standing committee to involve in direct dialogue with the Government and IFIs for policy development. The INGOs take 2-year turn to be in the standing committee. In the year 2001, the four INGOs in the standing committee

include Oxfam GB, CECI, Plan International and Oxfam HK¹². Apart from the involving in PWG, PTF and various working groups on key sectors, some INGOs also express the willingness to fund to process of formulating I-PRSP and translate it into full PRSP in the future.

Other stakeholders such as LNGOs, MOs, CBOs and private sector also play the supportive role in the process. Most of these stakeholders are very keen on contributing their comments during the consultation process. However, many of them, primary stakeholders such as especially CBOs, small LNGOs, and MOs at local level could not raise their voice through direct and formal measure.

RELATIONSHIPS AMONG KEY PLAYERS

Relationships among the Government and IFIs, particularly the World Bank, other donors and key INGOs are very active and efficient in the process of policy development for poverty reduction. The best example for this partnership is the operation of the Poverty Working Group (PWG), which was formed in February 1999. Members of PWG include various government agencies, donors and key INGOs. PWG has built a great deal of trust within and between the members. The first product of PWG "*Vietnam: Attacking Poverty*" presents an innovative process that was highly appreciated by the development community in Vietnam. Since then, the Government has asked PWG to collaborate with MoLISA to produce the CPSP. Recently, PWG has been working closely with the Government in the process of formulating the I-PRSP. Since July 2000, key LNGOs were also included in an extension version of PWG, that is the Poverty Task Force (PTF).

The relationship among Government agencies is cooperative and active but the level of efficient is not very sound. Sharing the same ideology and political tasks, it should be easy to build mutual understanding and cooperative relationships among Government agencies. However, in fact the cooperation among Government agencies in development program is not as efficient as one would expect. In several development programmes of the Government such as the HEPR program in 1996-2000 period, the rural credit program, sedentarisation programme and the job creation programme, there was no cooperation between credit and agricultural extension, credit and job training, and sedentarisation and agricultural extension on slopping land cultivation. There are some possible factors causing the inefficiency in partnership among Government agencies. For

¹² Source: direct interview with Action Aid Vietnam (AAV). Because AAV has been in the standing committee for two years (1999-2000), it is replaced by PLAN for 2001.

example, partnership was not focused in the formulation process of previous policy.

The relationship among INGOs and LNGOs is quite close and efficient. A large group of LNGOs receive funding and technical assistance from INGOs. Building capacity for LNGOs is also the long-term interest of INGOs. Apart from these, INGOs work closely with LNGOs in policy development. The best examples for this relationship include the Poverty Task Force (PTF) and the Poverty Policy Learning Group (PPLG). Being a donors' initiative, PTF is an expansion of PWG, which add more members from MOs, INGOs and LNGOs. In PTF, INGOs and LNGOs share experiences and expertise then integrate the discussed issues into policy consultation. In contrast, the PPLG is an NGO initiative, which is primarily a forum for the dialogue for INGOs and LNGOs. The purpose of PPLG is to make a separate forum for INGOs and LNGOs to discuss about issues and find the best way to bring these issues into the policy of Government. Since the relationship between LNGOs and Government in the policy discussion is not yet official and regular, PPLG is an appropriate place where LNGOs can raise their voice to the Government via INGOs.

As mentioned above, the relationship between LNGOs and the Government is not yet official. The legal status for LNGOs to operate is not yet clear. There has not been a legal framework for LNGOs. Most of current LNGOs in Vietnam were established under the Decree 35/CP on scientific or research association. Recently the Decree No 177 has been issued to allow the establishment and operation of local charity funds. Although LNGOs operate without any restriction they are not officially recognised by the Government as non-profit institutions. Despite LNGOs were allowed to participate in the PTF, no effort has been made to formalise the relationship. Attempt to include LNGOs in the Mid-year CG meeting in June 2000 failed because the Government did not feel appropriate that there should be an NGO Forum along side the CG meeting with participation of LNGOs. Similarly, in a Donor-NGO consultation meeting in Hanoi in 19th June 2000, key LNGOs intended to attend but in the last minutes they were told not to come.

At the local level, e.g., provincial, district or commune, local NGOs are highly appreciated by the government of the corresponding level. The LNGOs are included as valuable resource, that the local government counts on for their local development. There are still quite many examples of good cooperation between LNGOs and the Government, especially at local level and through their network with INGOs and donors such as PTF

and PPLG¹³. It is believed that sooner or later, legal framework for LNGOs will be launched because *"it is the law of social development that cannot be bypassed"*-- a Government official in this research stated.

Similarly, there has not been an official legislation for CBOs. As a result, there are no official relationships between CBOs and central Government. The consultation of CBOs to the process of formulating I-PRSP has been done through the mediation of their partnership with INGOs, donors or LNGOs. However, at the grass-roots level most of CBOs are welcome to participate in the process of local policy development.

The GoV-Donor-INGO relationship is cooperative and efficient in the process of formulating policy. Even though LNGOs/CBOs have not been officially recognised by the Government, there were abundant examples for good cooperation between LNGOs/CBOs and the Government through their partnership with INGOs and donors. LNGOs and CBOs are new phenomenon in Vietnam and it will take a bit of time to change the ideology of Government officials on these factors. There are already some signals that the changes will occur soon.

LOCAL CAPACITY FOR THE PRSP PROCESS

Capacity of CSOs to engage in the process

INGOs have shown sufficient capacity to engage in the process. Most of INGOs have very strong commitment to poverty alleviation. They have solid experiences in fighting against poverty, especially at grass-roots levels. Also, INGOs have international experiences in advocacy. In fact, all INGOs involved in this research are members of PWG and many sectoral working groups. They have provided valuable comments to consultation for I-PRSP. All INGOs interviewed showed their willingness to contribute further to the process of making full PRSP. Apart from solid first-hand experiences in poverty reduction, INGOs have solid expertise and some key INGOs also have financial sources ready to support the process.

The capacity of LNGOs to engage in the process varies with types of LNGOs. The service-based LNGOs do not give priority to policy development, "the process is interesting but we simply do not have time for that"-the representative of a LNGO argued. Other NGOs feel that the issue is politically sensitive and they just want to maintain the project-to-project routine to stay out of possible risks. Some LNGOs are interested

¹³ To name a few the partnership for HEPR formulation, the partnership to Assist the Poor Communes, and the SME Forum.

in consultation but staff capacity is limited (e.g., professional, experiences and language), thus cannot assign any person to the process. Therefore, only several LNGOs such as RDSC, RTCCD, RaFH, CEPEW, LERES and ECO-ECO have sufficient capacity to engage in the process.

MOs also show their willingness to engage in the process. The advantage of MOs is huge number of members (e.g., VWU has 12 million members and VFU has some 50 million members) with a nation-wide network. They are closely linked with the Government and have strong influences on the process. However, the constraints of MOs include poor staff capacity and less experience in policy development.

CBOs also have strengths in commitment to poverty reduction and first-hand experiences in implementing development activities. Again, their biggest disadvantage is personnel capacity. Most of CBOs are headed by farmers with low educational level. Therefore, capacity building is essential to promote the engagement of CBOs in the process.

Representative of private sector has shown sufficient capacity to involve in the process. VCCI has strong linkages to the Government even though it can be considered as a semi-government organisation. Its consultation on economic policy has been highly appreciated by the Government. VCCI also plays active role in the process of formulating IPRSP with focus on the agenda for SMEs.

Capacity of the government to lead the I-PRSP process

Generally speaking, it is admitted that the Government has solid capacity to lead the process. As mentioned above the Government has strong commitment to poverty reduction. Since the last 10 years the Government has done an excellent job in tackling poverty. Government has strong team of specialists, who are well educated with solid experience in policy development to formulate the I-PRSP (and then will be the full PRSP). The Government has also started to hire independent consultants to ensure the quality of the document. As mentioned before, the Government has sufficient financial source to produce a sound document and may also for the implementation process. Besides, the Government also received strong support from donors, INGOs and other stakeholders in terms of finance and technical inputs to produce a sound document.

All these factors have proven the capacity to lead the process of the Government. However, some opinions also argued that Government staff, even though well educated, but their knowledge has not been systematically updated. Thus, many of these are equipped with dated knowledge. Moreover, Government specialists often lack in practical

experiences. Also, the legacy on central planning ideology of aged staff may have influence on the paper. Therefore, the quality and applicability of the document produced may suffer if these factors are not taken into account.

In short, the Government has strong capacity to be in the driver's seat of the process. Even though few worries are concerned about the quality of staffing but the fantastic performance on poverty alleviation in the past decade and the fluent process of formulating the I-PRSP has proven this capacity of the Government.

COHERENCE WITH CDF PRINCIPLES

a) From Desk Review

The I-PRSP is a document that is country-driven and is very much based on partnership. It complements Vietnam's on-going efforts to address issues of economic growth, hunger eradication and poverty reduction. Although initiated by the WB and IMF, the I-PRSP has been formulated by the Government of Vietnam in cooperation with outside assistance. This assistance has involved support from other ministries, international organizations, local and foreign experts, representatives from the donor community, as well as a host of other, albeit unidentified, "concerned parties." The Government of Vietnam has designated the Ministry of Planning and Investment to head the "working team" whose primary responsibility is the preparation of this paper. Feedback (via organized seminars and workshops), offered by other ministries, non-governmental organizations, the donor community as well as academics, has also been considered in the preparation of the I-PRSP.

The Government of Vietnam, in the preparation of the I-PRSP, has taken a comprehensive approach. Its consultations with representatives from all concerned parties, both governmental and non-governmental, have helped to ensure a multi-dimensional perspective on the nature of poverty. The Government clearly recognizes that the causes of poverty are multi-faceted and that they may differ depending on a whole host of factors such as geographic location, family make-up, and ethnic status, to name just a few. The I-PRSP details the Government's intentions to not only attempt in sweeping changes to the country's infrastructure and strategic policies (e.g., policies geared towards expediting the country's development in the direction of industrialization and modernization), but also more local and specific problems, often times addressed only by small grassroots organizations, which may only be of significance to a handful of communities.

The Government of Vietnam, in recognizing the depth and complexity of the changes needed, has adopted a long-term approach to tackling the problems of poverty reduction. The IPRSP is intended to form the basis of the Comprehensive Poverty Reduction Strategy (for the period 2001-2010), spearheaded by the Ministry of Labour, War Invalids and Social Affairs. It complements existing strategy papers, most notably the “Socio-Economic Development Strategy for the 2001-2010 Period”, “Hunger Eradication and Poverty Reduction Strategy for the 2001-2010 Period” and the “Socio-Economic Development Plan for the 2001-2005 Period.”

Finally, the IPRSP is very much a results-oriented strategy paper. The Government’s objectives are clearly spelled out and the steps needed to meet these objectives are delineated in detail. The Government’s intentions to incorporate the perspectives of both government and social organizations in the drafting of this paper are clear. While the Government of Vietnam is the principal formulator of the IPRSP, consultations with other outside stakeholders has been critical. The Chairman of the Consultative Group emphasized the role of the donor community in assisting the Government in converting the IPRSP into a full PRSP. He stressed the importance of clearly identifying outcome indicators and the development of monitoring systems.

b) From Interviews and Survey

Country Driven

The research revealed a mixture of ideas about this principle. Some opinions argued that IFIs are actually the driving force of the process. Before the introduction of the PRSP, the Government has gone ahead with the formulation of its own 5-year plan and 10-year strategy for poverty reduction. Moreover, it has collaborated with related stakeholders to develop the Comprehensive Poverty Reduction Strategy Paper, which concretised the planning process of the Plan and Strategy. Because of the interest on the structural adjustment loan¹⁴ (although the Government has not officially shown that it will go for the loan), the Government has to “slot the CPSP into the PRSP” under guidelines set by IFIs. Some Government officials also show the feeling that they are pushed by IFIs in the process.

The majority of respondents agreed the process of formulating the IPRSP is driven by the country. The most important thing to note is the strong commitment of the Government to poverty reduction. For historical and ideological reasons, poverty reduction is a first priority of the national policy for many years before any intervention of the international

¹⁴ Vietnam is no more on the list of HIPC countries

community. For the coming period, Government and the whole nation have prepared time and resources to continue tackle poverty. In the process of formulating I-PRSP, consultation is welcomed but the Government always reserves the power of making final decision on whether or not consultation results are integrated in the contents of the I-PRSP. The Government has shown its confidence in the process and no attempt to challenge the sovereignty of the Government has been witnessed. Moreover, the Government maintains fully in charge of its own five-year plan. Although consultation results on PRSP will be put in the 5-year plan but the Government will decide what will be passed. The clear leadership and strong control of Government and Party has contributed significantly to keep the active role of the Government in driving the process.

In short, the debate on who actually drive the process may sound like “chicken and egg” but it is obvious that in the context of Vietnam, the Government is active in driving the process. The country had involved in long struggle just to keep the word “independence” in its national slogan “independence-freedom-happiness”, thus, it will never accept any rude intervention against its own policy. However, the Government also opens the door for wide consultation with related stakeholders in the process. MPI, the focal point in the preparation process, has conducted broad consultation with line ministries, agencies, donor community and CSOs. Seminars on IPRSP are organised from central to provincial level to present the document and collect comments and opinions of related stakeholders. The drafting team welcomed and screened all comments to crystallise the best results of consultation into the paper.

Long-term Approach

Respondents in this research assess this principle of the IPRSP quite differently. Some respondents argued that the Government has no choice but formulate the paper on this principle if it wants the structure adjustment loans. Meanwhile, other respondents, who have more careful and critical look at the paper, stated that the document has long-term approach but the vision is not clear and specific. Some respondents believed that outcomes of the process would not be sustainable since the approach is short-sighted. And they guessed that this approach, in turn, is possibly due to the rush of the Government for the loan.

Keeping both eyes over all these comments of respondents and the final draft of the IPRSP itself, the research team believes that the final version of the IPRSP shows a long-term vision of the Government to economic development and poverty reduction. Key factors needed for sustainable economic development and poverty reduction are analysed in details. The IPRSP aims to develop the economy towards industrialisation and

modernisation. Attention in economic development is focused on creating perfect competitive business environment, balance development among different regions, and achieving economic efficiency. These development directions will not be possible to reach in the short-run. Given the current starting point, it should take considerable amount of time for the nation to be industrialised and modernised. Only the long-term vision can achieve both stable economic growth whilst attaining the balance among different regions.

Another component of the IPRSP showing its long-term vision is job creation for abundant labour from rural areas. At present, about 90% of the population live in rural areas. In the future, when more advanced technologies are applied in agriculture, a massive number of agricultural labour will be redundant. If no technical or vocational training is provided for this abundant labour force, the country economy will not attain positive growth. The I-PRSP has taken into account this future trend by emphasising on building capacity and creating opportunities for the poor so that they can help themselves out of the poverty pool. Particularly, the I-PRSP has focused on vocational training and technology transfer to the rural poor so that they can find off-farm employment. Moreover, the paper also covered the issues of supporting SMEs, encouraging family businesses, and reforming SOEs so these sectors will attract abundant labour from rural areas.

There are many other components of the I-PRSP that contain a long-term vision such as the reform of fiscal and monetary policies, administration reform, trade policy reform, raising the living standard for ethnic minority groups, environment protection, and social safety net. The scope of this report does not allow the research team to analyse all these components. However, these components are interrelated to each other in the socio-economic system. Sustainable economic development and efficient poverty reduction cannot be achieved without addressing all these issues together. And this cannot be done with a short-run framework.

Result Oriented

It is observed that the IPRSP contains clear outcomes. Most of the results are very specific. The main economic growth outcomes of the I-PRSP include double GDP by the year 2010 compared to that of 2000; achieve the average growth rate of 7% in the 2001-2005 period. In poverty reduction, the I-PRSP aims to ensure that 75% of the poor households have access to basic social service by 2005; and reduce the poverty incidence to 13% in 2005 and 5% by 2010; and upgrade basic infrastructure for 100% poor commune by 2010.

However, some components of the I-PRSP did not provide specific results such as the components of creating perfect competitive environment for business, reforming SOEs, supporting SMEs, and encouraging FDI.

Partnership

Partnership among the Government, donors, INGOs, and civil society organisations is strongly mentioned in the I-PRSP. The most effective mechanism for partnership, which is the PWG remains the key partnership in the process of formulating and implementing the I-PRSP.

Comprehensive

The I-PRSP has taken into account wide range of aspects of economic development and poverty reduction. To promote economic development, the I-PRSP has addressed the issue of creating a fairly competitive business environment; reforming SOEs; supporting SMEs, cooperatives and agricultural farms; and encouraging FDI. The paper also introduced fiscal and monetary policy change to maintain macroeconomic stabilisation. To integrate into the regional and global trends for free trade, the paper mentions some changes in trade policy such as the reduction of quantitative restriction on imported goods, abolishing quotas for rice export.

Administration reform policy is also well presented in the paper. Critical changes in this sector include transparency in budget management, increase efficiency of the Grass-root Democracy Decree and simplify the administrative procedures. Attention is focused on decentralisation in administration and capacity building to local administrative organs.

Key building blocks on poverty reduction measures in the I-PRSP focus on creating opportunities for the poor to help themselves out of poverty. This is a critical change compared to the traditional approach “the Government provide”. Attention is focus on improving rural infrastructure, intensifying and diversifying agricultural production and off-farm income generation. Beside traditional components such as rural credit, education and health care the I-PRSP also introduce relative new components such as urban poverty, environment protection, social safety net, risk management, and especially the recognition on the roles of social organisations and NGOs (possibly refer only to INGOs) in poverty reduction process.

CONCLUSIONS

Strengths

- Vietnam has strong national solidarity where the Government and Party get support from the community. Given this context, the monopoly-led consensus type governance is satisfactory. This has led to the stability of political and social environment, which is the pre-requisite for economic development and poverty reduction.
- There is strong commitment of the government to poverty reduction. For historical and ideological reasons, poverty reduction is always the first priority of political and social leaders. The Government and the whole nation have prepared time and resources to continue the battle against poverty as the "enemy".
- The quality of relationships between government and key players such as IFIs and INGOs is good, and with sound prospects for the continuation of a strong collaborative poverty reduction focus.
- The Government maintains its strong position in the driver's seat of the process. Although broad consultation with donors, INGOs, LNGOs, and other civil society organisation has been conducted, the Government has always reserved the power to give final decision.
- Poverty Working Group, an innovative mechanism, has proven great success for partnership of Government, IFIs, other donor community, NGOs and civil society in poverty reduction. Products of PWG such as VLSS's and PPAs are significant *quantitative* inputs and *qualitative* inputs, respectively, for policy development.

Weaknesses

- There is no legal framework for LNGOs/CBOs to operate in the country. However, some key LNGOs were invited to consultation in PTF; and CBOs also involved in the consultation process via INGOs and donors. There are many more examples of good partnership between LNGOs and Government, especially at local level.
- Capacity of LNGOs is still limited. Most of LNGOs operate at village or commune level. Only a handful of LNGOs has the capacity to crystallise their valuable first-hand experience to engage in the process of formulating and implementing the PRSP.

- Similarly, staff capacity of mass organisations is limited despite the fact that they have significant influence on the poverty reduction process. Staff of MOs, especially those at local level, has low education level and inexperience in development work.

Suggestions

- Even though LNGOs is a political sensitive issue, the Government should take a closer look at their activities then develop a suitable legal framework to this element. Legalising LNGOs have put the Government in the position of using two-edge knife (i.e., "good" LNGOs can be heroes in social development but "bad" LNGOs can also be real troublemakers). However, the presence of LNGOs is based on the real need of social development. LNGOs are pretty good in working closely at grassroots level, and they can reach to the areas where many Government programs cannot. The story of CBOs is very much the same.
- Mass Organisations have relative advantage on nation-wide network and massive number of members. The only matter with MOs is their staff capacity. Thus, attention should be focused on building the capacity for staff of MOs.

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