



# Executive Summary

## BACKGROUND

The purposes of this country evaluation are to provide: (a) an overall assessment of the key results achieved in Viet Nam since 1997 through UNDP support and partnerships with other key development actors; and (b) an analysis of how UNDP has positioned itself strategically in response to national needs, with specific reference to governance and environment. This country evaluation is based on the results-based management approach of UNDP. It draws on information gathered from an exploratory mission, field visits, interviews and desk research, and two local studies, to assess UNDP support in relation to the development results achieved in Viet Nam.

## THE NATIONAL CONTEXT

Over the last 10 years, Viet Nam has achieved remarkable progress in strengthening its national economy and improving the well-being of the vast majority of its people, primarily due to the government's commitment to renovation — *doi moi* — starting in 1986.

Facilitated by political stability and effective leadership, Viet Nam was able to undertake critical economic and political changes, including land reforms and agricultural liberalization in the late 1980's, and liberalization of markets and prices through an "open door" policy. An average GDP

growth of 7.6 percent per annum over the last decade doubled the size of Viet Nam's economy. Liberalization produced a sustained growth of 4.2 percent in agriculture, making Viet Nam the second largest exporter of rice and third largest exporter of coffee in the world. The reforms particularly targeted the agricultural areas, and contributed to a 50 percent reduction in the country's poverty rate (down to 35 percent of the population) by 2002. Over time, Viet Nam has accepted a broader concept of human development that goes beyond incomes, education and health to a more fundamental focus on enlarging choices and opportunities for the people. This approach is increasingly pushing the reform process into new areas, such as decentralized governance, and changing the roles of the state and representative bodies.

The government's development goals for the next ten years are ambitious: to eradicate hunger and hardcore poverty; to ensure universal secondary education for all; to increase life expectancy from 68 to 70-71 years; and to improve other indicators in the Human Development Index (HDI). However, the next reforms are likely to be more challenging than those initiated in the 1990s. New problems are emerging, such as increasing economic disparities, unsustainable use of natural resources, and stiffer competition from Viet Nam's trading partners. Viet Nam also faces the difficult task of adjusting its institutional arrangements to the demands of a socialist market economy, with much higher levels of efficiency, transparency and accountability. Key development challenges include:

- **The need to encourage the establishment of business enterprises within the private sector** in order to drive further growth. Development of a strong private sector requires structural changes to provide a strong banking system, a functioning stock market, an efficient legal system, an improved regulatory framework, and a restructuring of the public sector. For continued results in poverty reduction, private sector development is particularly needed in the provinces.

■ **The changing role of the state.** Economic growth can lead to poverty reduction only if there is an efficient and decentralized system for delivering services to the public and for stimulating and managing local development. The Vietnamese vision of governance for the future includes a central policy role for the state and decentralized service delivery by public institutions that support the people and the private sector.

■ **Growing inequality**, with the prospect of a widening gap between urban and rural incomes. The real challenge is to preserve the "quality" of growth to ensure that it reaches all segments of society, including minorities and remote communities. This challenge can only be met through a comprehensive development strategy which focuses on rural areas, where poor people primarily live, and which promotes gender equity.

■ **Effective management and use of national and other resources.** Viet Nam needs to ensure growth while preserving the country's environmental security, which is under pressure from increasing industrialization. Farsightedness regarding the linkages between development and the environment can help sustain the future growth potential of Viet Nam. Effective and efficient management and use of resources also requires attention to the size and focus of public sector expenditures for poverty reduction.

## **STRATEGIC POSITIONING OF UNDP**

UNDP has performed a creditable job in tapping some of the most strategic opportunities for assistance to Viet Nam, a considerable accomplishment given the complex array of changes which had to be accommodated during the period under review. This is especially valid with respect to governance, where assistance has responded to issues at the heart of the unfolding reform process — a more open

economy, reform of the institutional framework for a socialist market economy, and capacity development for the executive and legislative branches of government. In particular, UNDP has managed to stay in step with the emergence of major development concerns in the country and, in a number of instances, has been a “first mover” in areas which have since gained increasing attention on the part of other development partners.

The outlook and approach of UNDP have been strongly influenced by its long presence in Viet Nam. This privileged position has enabled UNDP to establish a close relationship of trust with the government, to acquire deep knowledge of the country, and to make substantial contributions to key developments. Nevertheless, UNDP support would be more effective if there were a more compact programme portfolio focused on targeted areas where mutual trust, a close relationship with the government and a long country presence can make a critical difference. Also, maintaining a strategic position with increased leverage depends on preserving the web of partnerships woven around the role played by UNDP. Since there are now a number of entities offering development assistance in Viet Nam, their combined effect will be maximized if they use coordination mechanisms effectively to establish close substantive partnerships.

## **DEVELOPMENT RESULTS AND THE UNDP CONTRIBUTION**

### **Private sector development**

Perhaps the most critical policy shift made possible by the adoption of the *doi moi* principles in 1986 was a recognition of the crucial role of the non-state sector. Land reforms and the removal of quotas for private initiatives in the 1980s kicked off an impressive period of economic growth in Viet Nam. One of the most important improvements made to the regulatory framework was the adoption of the Enterprise Law in 1999, which catalyzed the rapid registration of around 60,000 domestic businesses. At that time, UNDP put its

comparative advantage to use by influencing the governmental framework and encouraging efforts to support the private sector. Future efforts to support private sector development in Viet Nam need to focus on ensuring that the gains of recent years can be sustained and that further privatization does not disadvantage the poorer segments of the society. Special attention should be paid to the creation of a local private sector.

### **Public administration reform**

Governance reform in Viet Nam has been broad, covering administrative, legal, judicial, and legislative changes. UNDP’s leading role in promoting the Public Administration Reform (PAR) has been significant. However, progress has not been constant over the years, and despite efforts to date, the public administration of Viet Nam still exhibits systemic weaknesses. The most crucial output from UNDP support has been the PAR Master Plan, which finally brought a coordinated framework to the multitude of reform components. Public expenditure management, as part of this reform, also changed government practices on expenditure planning. In addition, UNDP pilot initiatives also led early attempts at decentralized governance, which now need to be broadened in all provinces.

The past involvement of UNDP in public administration and public expenditure management should enable UNDP to promote linkages and coordination between the different components of the PAR Master Plan. Efforts should particularly focus on providing beneficial impacts on the poor, by supporting the principles of grassroots democracy and balanced development among different sectors and regions of the country, and assisting local governments to build their capacity.

### **Reform of governing institutions**

Over the past fifteen years since the advent of *doi moi*, the rule of law has been steadily replacing rule by administrative decree. Key achievements have included strengthening of the National Assembly, capacity building for

the courts and the prosecutor's office, and completion of the Legal Needs Assessment. Law-making capacity has improved in both the executive and legislative branches of government. During the past fifteen years, twice as many laws have been promulgated than during the preceding 40 years.

While numerous changes have taken place in the Vietnamese legal framework, it has yet to meet the requirements of an effective and independent judicial system for a market-oriented economy. The interrelationships among the legislature, judiciary, prosecutor's office, and other associated organizations, as well as the Ministry of Justice, require a holistic perspective. A key challenge is the effective sharing of information. The UNDP country office's plan to study people's perceptions concerning access to justice and the rule of law is an excellent stepping stone towards determining a clearer focus for judicial reform. Support in the judicial and parliamentary spheres should be consistent with initiatives on poverty, vulnerable groups and local economic development — in other words, taking capacity building and reform down to the local level of people's councils and courts.

### **Human development in national strategies**

The concepts of human development and poverty eradication are now firmly embedded in national policies, primarily in the 10-year Socio-Economic Development Strategy for 2001-2010, as well as in the Viet Nam Poverty Reduction Strategy Paper (PRSP). Formulation of the Viet Nam Development Goals (VDGs) represents an excellent example of a serious and successful effort to adapt, integrate and selectively expand the MDGs to address the specific developmental and institutional circumstances of a particular country. Improvements in the monitoring of poverty can also be observed in Viet Nam. UNDP has played a strategic and highly valued facilitating role, particularly with regard to the Development Strategy. The project-based investments made in this area generated high returns, and also illustrated the usefulness of advocacy, in this instance around the HDRs.

### **Rural development and local participation**

The challenge of promoting "the human face of development" is likely to become more difficult as the country moves towards industrialization and a modern economy. With growing gaps in inequality, some groups will continue to fall short of desired living standards. Although advances in poverty alleviation have positively affected vulnerable groups, improvements in the areas of gender equality, HIV/AIDS and ethnic minorities cannot be considered to be equally impressive.

Processes for active participation by the people themselves in setting development priorities would give poor people a voice in decision-making. While the process of administrative decentralization is moving relatively rapidly, it is not matched by effective mechanisms for citizen involvement and transparency at the local level. Many pilot initiatives on local planning and participation were led by UNDP and the United Nations Capital Development Fund (UNCDF), with particularly positive results in changing the mind set of local planners. The Grassroots Democracy Initiative of the government also represents a major step forward and should be supported.

### **Rational use of natural resources**

Viet Nam has primarily focused on economic growth and social development over the last decade. UNDP, through its emphasis on environmental concerns within the larger picture of sustainable development, has contributed to increased awareness of environmental protection issues by governmental agencies, businesses and local communities. Important policies and laws concerning the environment have been passed at the national level, and a new Ministry of Environment and Natural Resources was recently established. Though still small when compared with most of the provincial sector agencies, the environmental agencies have gone through a period of very rapid capacity growth. A national Disaster Management Unit (DMU) with monitoring systems is also now operational, in recognition of the need to integrate disaster mitigation into poverty reduction and sustainable development.

## KEY LESSONS LEARNED

- **Ideas and knowledge can be as important as money in promoting change.** Some successes in Viet Nam can be traced back to the fact that the government made the right decision at the right time, based on critical information that became available. The most effective capacity building strategies entailed opening doors and sharing knowledge or international experience not hitherto available to the Vietnamese, and thus building on the national ownership of the development process.
- **“Piloting” takes the edge off risky innovations.** Pilot initiatives can provide a judicious way of moving forward, especially for innovative or controversial practices. However, learning from successful pilot initiatives requires effective information-sharing strategies and communication systems.
- **Clear linkages between localized targeted programmes and poverty alleviation are difficult to demonstrate.** This requires realistic expectations on how local projects can shape national policy. Systems are needed to measure such linkages and to ensure learning, as well as a strategy to ensure policy dialogue from the outset.
- **Prioritization and sequencing improve the effectiveness of reforms.** With an immense and ambitious reform challenge, and limited time and resources, more attention to strategies and prioritization at an earlier stage would increase chances for success in implementation, especially for the sequencing of reforms. Also, with a number of development actors, it is key for all to find a niche within this fluid context.

## RECOMMENDATIONS

To assist UNDP in keeping up with emerging development issues, and sustaining and sharpening its strategic position, the following recommendations are presented.

### 1. Policy Advice and Coordination

UNDP should systematically but gradually enhance its capacity for policy advice and upstream engagement. The Viet Nam country office has demonstrated its advocacy abilities in several areas, especially regarding governance. UNDP needs to develop further capacity in areas such as legal and judicial reforms, decentralization and poverty reduction strategies, rural development, sustainable development and information technology. Advisors on specific areas of reform, acting under the leadership of the Resident Coordinator, can constitute an informal policy advisory think tank within the country office, a group which will have deep knowledge of the country and the reform process, and can effectively network with the UN country team and the development partners. Besides enhancing national advisory and analytical capacity, UNDP should apply a variety of strategies, including: brokerage, coordination and information sharing; improved linkages between programmes, projects and policy efforts; and targeted policy advisory services when needed. UNDP will be most effective in this area by supporting governance with a clear focus on pro-poor policies and decentralization, and by providing advice that is neutral, comprehensive, and forward-looking.

### 2. Governance for Poverty Reduction

UNDP should focus its work around the key organizing principle of “governance for poverty reduction”. UNDP should apply its comparative advantage in governance to promote pro-poor policies and capacity enhancement at decentralized levels of government. This would bring improved coherence to current strategies dealing with interconnected issues such as Public Administration Reform (PAR), People’s Councils and courts, local private sector development, targeted poverty programmes, and sustainable use of local natural resources.

#### a. The enabling framework for reform

UNDP’s strategic positioning could benefit from greater differentiation between (a) interaction at the national

level on policy coordination or national priorities, and (b) work at the local level involving policy advice, capacity building or pilot programmes, which requires different strategies. At the national level, UNDP can provide essential support for systems and mechanisms that will improve service delivery and implementation of policies and plans at the local and provincial level, including support for the PAR, legal system reform and the National Assembly.

**b. Decentralized governance**

The movement towards decentralization and local decision-making has given the provinces more responsibility for their own development planning and use of natural resources. The challenge is to bring together activities at the local level, close to the poorest layers of society, in a coherent and systematic manner, and to build capacities at this level. UNDP should provide support and advice to local governments and institutions on economic development, policy reform and public participation in order to help translate local priorities into specific policies, programmes and interventions.

Over the medium to long-term range, a healthier balance of functions, power and responsibilities between People's Councils and Committees would be desirable. UNDP support to the People's Councils and the PAR, when managed in an integrated manner, will be useful in this regard. Poverty reduction efforts can also be intensified and made more cost effective by coordinating the work of the People's Councils, Committees and specific poverty targeted programmes with greater support for rural development strategies.

**c. Rural private sector development**

Private sector development will be a key factor in the fight against poverty in Viet Nam, especially in the rural areas. UNDP should use its comparative advantage in Viet Nam to support governmental and institutional measures that encourage the

creation of private sector enterprises in rural areas and establish tighter linkages between local planning and sector development to promote better use of resources. Further analysis and additional strategies for rural industrialization are needed to meet Viet Nam's development goals for the future.

**d. Sustainable Development**

With increased industrialization in Viet Nam, the main challenge is the sustainable use of natural resources in a growing economy. UNDP should use its full range of expertise in different sectors (economics, governance, poverty, and environment) to highlight the essential linkages between environment, development and poverty, and to focus its advocacy on these issues. Activities should cover environmental issues that are particularly relevant to rural development, poverty alleviation and decentralization, such as community use of resources and sustainable forestry management.

**3. Information Technology, Communication and Knowledge Management**

Effective use of knowledge and of information technology is a growing challenge, particularly in an increasingly open and integrated world economy. Viet Nam has so far not taken full advantage of the opportunities for "e-governance." Promotion of advanced methods of communication, information sharing and learning should be part of all UNDP activities in the country, to help: (a) enhance access to information by the public and local bodies; (b) establish mechanisms to support horizontal learning and replication, in coordination with the government and other development agencies; and (c) move towards integrated information systems coupled with participatory mechanisms.

**4. UNDP portfolio management**

The factors described above point to a future in which the traditional delivery of services and projects may be expected to change. The

need for change is all the more pressing due to the increased ODA influx into Viet Nam and the more complex environment for development aid. The UNDP country office needs sufficient flexibility to meet the new demands and to succeed in its resource mobilization strategy, to be reinforced by:

- a. More selectivity in project planning, with attention to the replication of successful pilot projects, policy dialogue arising from strategic interventions, and more explicit targeting and learning strategies for locally-based projects;
- b. Strengthening the network of partnerships and moving proactively to engage partners in new and multiple ways;
- c. Establishing flexible funding mechanisms that can be used to respond rapidly to problems and needs identified by national authorities or local agencies and also facilitate participation by development

partners, including support facilities, as well as flexible disbursement mechanisms for UNDP's own funds;

- d. Ensuring the operational flexibility needed for client orientation, greater efficiency and enhanced accountability through innovation in programme portfolio management (in particular, monitoring and evaluation focused on results, and improved programme formulation and project management and execution).

As Viet Nam enters the new millennium, it confronts a very challenging situation in terms of the pace, scale and complexity of economic and social reforms the country is undertaking, and the difficult and competitive international environment that is emerging. Successful management of global and regional integration requires careful attention to policies that reduce adverse consequences, and complementary policies for the wider distribution of the benefits from economic growth.