

**Understanding pro-poor political change:  
the policy process**

# **Vietnam**

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## **List of acronyms**

ABD	Asian Development Bank
ARVN	Army of the Republic of Vietnam (-1975)
CPRGS	Comprehensive Poverty Reduction and Growth Strategy
CPV	Communist Party of Vietnam
CRP	Center for Rural Progress
CSO	Civil Society Organisation
GDD	Grassroots Democracy Decree
GoV	Government of Vietnam
HCMIPA	Ho Chi Minh Political Academy
HEPR	Hunger Eradication and Poverty Reduction
HIPC	Highly-Indebted Poor Country
HIV/AIDS	Human Immuno-deficiency Virus / Acquired Immuno-Deficiency Syndrome
IDTs	International Development Targets
IFI	International Financial Institutions
IMF	International Monetary Fund
INGO	International Non-Governmental Organisation
I-PRSP	Interim Poverty Reduction Strategy Paper
JSA	Joint Staff Assessment
LERES	Center for Legal Research and Services
MARD	Ministry of Rural Development
MDGs	Millennium Development Goals
MoF	Ministry of Finance
MOLISA	Ministry of Labour, Invalids and Social Affairs
MPI	Ministry of Planning and Investment
MTEF	Medium-Term Expenditure Framework
NA	National Assembly
NGO	Non-Governmental Organisation
NLF	National Liberation Front
ODA	Official Development Assistance
PAR	Public Administration Reform
PEM	Public Expenditure Management
PER	Public Expenditure Reform
PPA	Participatory Poverty Assessment
PRGF	Poverty Reduction and Growth Facility
PRSC	Poverty Reduction Support Credit CHECK
PRSP	Poverty Reduction Strategy Paper
RaFH	The Center for Reproductive and Family Health

SBV	State Bank of Vietnam
SCF	Save the Children Fund
SDC	Swiss Development Corporation
SEDS	Socio-Economic Development Strategy
SOE	State-Owned Enterprise
SRV	Socialist Republic of Vietnam
SWAp	Sector-Wide Approach
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
VDIC	Vietnam Development Information Centre
VCCI	Vietnam Chamber of Commerce and Industry
VDT	Vietnam Development Targets
VHI	Vietnam Health Insurance
VLSS	Vietnam Living Standards Survey
WTO	World Trade Organisation

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## Executive Summary

This study analyses trajectories of change in the Vietnamese political system and their implications for pro-poor policy-making, drawing in particular on the central concepts of *political tradition, institutions* and *regime type*. A brief political history and a summary of patterns and trends in poverty reduction in the context of economic and social transformation set the scene for the discussion of how political structures and policy-making processes have evolved. This is approached in a medium- to long-term perspective. The principal features of the contemporary politics of poverty reduction clearly date from the introduction of economic liberalisation in the mid-1980s and the growth-led reduction in poverty which has resulted from liberalisation, but the political traditions and institutions within which liberalisation has played out (and which it has in turn transformed) date back to the founding of the socialist republic at the end of the Second World War.

The report describes the key elements of the Party-state system of policy-making and implementation and the relationships between these elements, and analyses how these relationships have changed over the last decade and are likely to change further in coming years. Aspects of the changes in the policy-making process are illustrated with examples of particular issues from the health, forestry and land sectors, and common themes – strengths and weaknesses of intra- and inter-sectoral policy linkages, the inclination for targeted programmes, and the factors explaining regional variations in policy interpretation – are pulled out for discussion. The particular problems faced in defining the nature of state-society relations and potential role of civil society in a one-party political regime are assessed and their implications for policy-making explored.

The report concludes with a series of recommendations for bilateral donors wishing to support the Government of Vietnam in adapting its policy system to future challenges. These recommendations include i) building up a wider network of contacts with Government, National Assembly and party officials; ii) developing and maintaining a greater capacity to track and evaluate policy paperwork (i.e. including the all-important operational instructions and circulars); iii) fostering long-term links with Ministry-affiliated research and training institutes; iv) engaging strategically with targeted anti-poverty programmes; and v) engaging with the policy system at the interface between central and sub-national levels of Government, (particularly in Provinces and Municipalities which lack the capacity to readily adapt and implement policy decisions).

## ***The achievements and limitations of doi moi: popular resistance and policy change***

The impact of the socio-economic reform process in Vietnam has been impressive – both in terms of economic growth and poverty reduction. As these processes have rolled out over the last decade and a half, however, there remains a dichotomy between introduction of a dynamic, open economic management system and a political system that changes only slowly and reluctantly; and between socialist ethics (e.g. with regard to equality) and the market economy. This has given rise to structural tensions in the system of Government and in the application and delivery of policies. Similarly, in the debate on poverty, there has been a growing awareness of the need to combine growth with equity, and tensions between the adoption of targeted approaches vis-à-vis broader policy solutions to address equity in light of the areas of increasing socio-economic differentiation and new forms of vulnerability that have inevitably resulted from the reform process.

The rapid and fundamental shifts in the economy and local institutions that took place in the early period of reform following collectivisation in the late-1980s and early-1990s has, meant that policy-making in many sectors (such as in land and health) has been struggling to adapt to the consequences over much of the intervening period. Much sector policy-making has taken on a highly iterative form, with successive adjustments and clarifications made to the regulatory and legal framework.

In analysing how the policy process is carried forward, it is useful to look at the balance between iterative/responsive and proactive/direction-setting forms of policy-making; and *inter alia* the extent to which policy change is driven by demands and pressures from below or represents the imposition of a political agenda from above. Looking at past experience, the change process is better seen as being reactive rather than simply top-down in nature, but there is evidence to suggest that the balance between these forces is changing over time, with the political leadership now taking a more proactive role in initiating policy change rather than being forced into recognition of incipient crisis.

There are, however, significant regional contextual variations in many sectors (such as land and forestry) that strongly influence policy interpretations and outcomes at the provincial level and below. Such regional differentiation is not only a factor of variations in physical geography, as this combines with the divergent political contexts and traditions and with the different historical trajectories in the north, south and central regions of the country. An appreciation of how recent historical trends and spatial variations come together to influence both national and local Government policy-making processes is essential for effective donor engagement. This is particularly useful in understanding the way in which national policy is adapted to local circumstances, not only by the relatively powerful provincial Government administrations but also by informal local level forms of resistance and influence.

## ***Emerging issues in the poverty reduction agenda***

Over time, it is likely that socio-economic differentiation will become more pronounced, as further economic growth results in assets and power becoming concentrated along various dimensions at various levels. In particular, there is a real danger that as poverty rates amongst the majority population fall, poverty becomes primarily associated with ethnic minority groups, especially in the remote mountainous regions. Equity in the health and land sectors is also of particular concern. Dealing in a coherent way with these emerging issues of differentiation and equity will be of utmost importance. The challenge will be to balance enabling economic policies with regulatory or redistributive policies in such a way as to effectively harness the dynamism of growth poles for the benefit of spatially- and socially-balanced development.

There are several particular sectors of the economy (for example, in coastal aquaculture and commodity crop production areas) in which contemporary rapid growth is associated with either stagnation in the gains in poverty reduction, or increasing risk and vulnerability for poor and nearly poor households. With Vietnam's planned accession to the AFTA and the World Trade Organization, these factors will become more pronounced, particularly in relation to rural commodity production. Some of the country's main subsidized commodity cash crops and rural industries – such as sugar, and pulp and paper – are already of questionable economic sustainability and highly vulnerable to illegal imports, despite current protectionist policies. It is likely that with further trade liberalization planned by the Government many rural producers will face increasing vulnerability.

Another concern lies in the institutional mechanisms for implementing the pro-poor policy actions set out in the Comprehensive Poverty Reduction and Growth Strategy (CPRGS) – Vietnam's PRSP. As the CPRGS process is taken to the provincial level, there is a danger that it remains too heavily focused on policy and planning aspects, while paying less attention to the practical difficulties and challenges of supporting local Government to improve service delivery and the performance of projects and programs on the ground. This has important implications for the way in which donor agencies work over the next few years, since what is required is to develop innovative mechanisms for 'linking policy with practice' and demonstrating successful approaches that can be widely applied.

## ***Recent political and administrative reforms***

During the first part of the 1990s, broader cross-cutting areas of legislation concentrated on establishing the legal foundation for the state administrative apparatus, and for central–local Government relations, in the post-reform era. During this period the Government system has become significantly less hierarchical, and relationships between the centre and sub-national levels in the formulation and implementation of policy have been radically transformed. It is only more recently that systemic constraints arising from, and having an impact on, the ongoing reform process have begun to be addressed through the further political and administrative measures that were initiated in the late 1990s.

The period from 1998 to 2002 has been a particularly active period of policy-making in Vietnam, linked to the 10-year socio-economic development planning cycle,

formulation of the CPRGS, and a set of broader reforms that include: (i) the legislation on local democracy; (ii) the ambitious program of public administration reform; and (iii) current initiatives to strengthen and raise the quality and efficiency of the legislative and supervisory powers and responsibilities of the elected National Assembly and the Peoples Councils at province, city, district and commune/ward level.

Arguably, taken together, these recent policy initiatives and areas of legislation represent an important 'second round' of reform (the first being the decade of liberalisation from 1986), and evident moves to strengthen the political leadership in the process. In order to assess the cumulative significance of these measures, and the way in which they fit together and the overall direction they are taking, however, it is necessary to examine the political rationale that lies behind them. It is also necessary to look at the way in which they are or may result in changes in the vertical and horizontal alignments of power and decision-making.

A defining characteristic of the political system in Vietnam is the way in which policies and decisions are arrived at through a complex process of vertical and horizontal consensus building. There is an important inter-play between the vertical lines of authority, and the strong horizontal mechanisms of policy guidance, instruction and accountability that exist between the Party, the legislature (National Assembly and Peoples Councils), the state management bodies (Government and Peoples Committees) and the executive (Ministries and Departments) at all levels. In this situation, it is important to avoid applying simplistic conceptions of *top down* or *bottom up* policy-making and planning systems.

Policy-making consists of a multifaceted process of negotiation between levels and spheres of Government, and the progressive clarification of broadly conceived policy frameworks and directives into locally specified planning recommendations and provisions. This underlies the capacity and legitimacy given to the provincial Government authorities to adapt national policies, which results in the high degree of local iteration and diversity of policy interpretations and outcomes on the ground.

This horizontal-vertical dynamic is central to the political thinking that lies behind the on-going reform process. For instance, the rationale given for the accelerated administrative reforms in the Socio-economic Development Strategy for 2001-2010 includes the stated need to 'strongly decentralise powers within the administrative system coupled with raising the centrality and uniformity in promulgating institutions. To clearly define the responsibilities and powers of each level, organisation and individuals, as well as to separate out the public authority administrative agencies from public service delivery organisations'.

As broadly conceived and put together, therefore, the current reforms can be seen as a drive to improve the performance of the State by clarifying the roles and relationships between the political, legislative, state management and executive wings of the State both horizontally and vertically; while at the same time redressing the balance of power between the legislature and the Government bodies. The point at which these political concerns come together on the ground is implicitly recognised in the formulation of the local democracy legislation, which sets out the supervisory role that local people should have, through their elected representatives, on the workings of the local Government authorities.

Party statements reveal an acute awareness of the difficulty of this undertaking that inevitably requires a long period of transition with many transitional stages and forms of socio-economic organisation. Now, as in the past, however, the Party struggles to cope with these diversifying institutional and economic management processes, and the implications of this for different sections of society, by closely tying the development of an equitable, democratic and civilised society to national unity and cooperation.

### **Key characteristics of the policy-making process**

An essentially similar process and sequence of developing policy content (policy proposal, formulation and promulgation) is followed in each sector at national level. However, the differing mandate of each sector brings into play different sets of institutions and actors. Each sector (or ministry) also has a very different institutional structure – and it is crucial to understand this structure in order to identify and engage with the appropriate unit that is taking the lead on a particular area of policy. Policy drafting committees are *ad hoc*, which means that their composition and the lead agencies and lead individuals vary.

Donors tend to maintain one or two points of contact within the ministerial structures (for instance with the International Cooperation Departments) with which they work, and donor projects are often located within a particular department or project management unit. These departments or units do not necessarily have influence over policy formulation: the range of actors involved in policy-formulation is in all cases diverse.

It is often stated that there is limited interaction and dialogue between sectors in policy formulation in Vietnam. Problems in inter-sectoral (or even intra-sectoral) coordination undoubtedly occur, with policies and laws on occasion reaching the implementation stage before inconsistencies are spotted. However, general assumptions in this regard should be avoided. Mechanisms for cross-Government dialogue in policy formulation and review exist (for instance, through joint drafting committees and circulating draft legislation), but are not necessarily visible to donors - and do not preclude the existence of disagreement within Government on what constitutes a suitable policy position. Inter-sectoral linkages at national level are discernibly stronger and more important in some sectors than in others. In both land and health, inter-sectoral linkages at national level are wide and varied. In forestry, the linkages are weaker and inter-sectoral policy issues less significant at this level, but more critical at the local Government level. Of relevance for pro-poor policy in particular, Vietnamese observers close to the CPRGS drafting process have noted that that process, and the policy document and implementation committee that emerged from it, have contributed to a change in Government perspective such that poverty is for the first time seen in a more multidimensional manner requiring a cross-sectoral response.

Inter-sectoral linkages at national level are particularly important in establishing the regulatory framework for new policies. An overall variable in this regard is the mobilization of funding resources and formulation of financing and investment regimes. Interactions between the sector ministries and the Ministry of Planning and Investment and the Ministry of Finance at various points in this process represent the critical inter-sectoral linkage.

While the Ministry of Finance is involved in policy formulation at all stages, its role becomes critical at the early stages of interpreting new policy initiatives. Detailed costing and financing mechanisms and procedures are usually decided upon and developed *after* a particular policy or program has been approved. This can have a significant impact on how policies are implemented at lower levels. For donors working on the design and introduction of programmes that will involve significant changes in the regulatory framework in particular, it is essential to clearly identify the issues and to engage with these institutions at an early stage.

There is also significant variation in the type and importance of intra-sectoral linkages between the three sectors. This is partly a simple reflection of the size and scope of the sector. In some sectors, such as forestry, intra-sectoral concerns at national level are more to do with the definition of mandate or roles, or on the other hand, competing demands on resources. In other sectors, such as health, there are more complex issues relating to overlapping administrative, regulatory, programmatic and service delivery functions. Key actors in the health system often hold two or more positions (for instance, being part of the administration as well as being practicing physicians) that can have influences that are both positive (i.e. by promoting informal intra-sectoral linkages) as well as negative (through a conflict of interests between public/private or regulatory/delivery functions).

In all sectors, specialized policy, strategic planning and research institutions have an established and important role in policy formulation at national level. Donor support to such institutions is provided in some cases, but often through third party research and development projects.

There is also a range of intermediary agencies at the interface between national and province levels that have an important role in policy interpretation (for instance, through imparting knowledge and information on new areas of policy). These include research and training institutes under the particular sector. In the health sector in particular, medical and health service schools have an important role in updating policy knowledge to new and in-service medical staff and health workers.

The policy-making process in Vietnam results in a large amount of published legislation (and an even larger amount of unpublished guidelines) that Government officials need to track in order to keep abreast of the situation. The real substance of new legislation may not lie in the overall or original policy statement, but in the follow-up guidelines and instructions. This has a very practical implication for donors, since it is essential to allocate adequate resources to get to grips with and monitor this documentation in detail in order to understand policy positions.

A well-established form of policy-making in Vietnam is through targeted interventions and programs – not only in the sense that policies are implemented through programmatic structures, but are also often conceived in a programmatic way. Targeted programs have been the main mechanism through which the Government sought to realize policies on poverty reduction and to address the needs of poor areas and vulnerable groups throughout the 1990s. Critically, such programs also represent one of the main redistributive mechanisms through fiscal transfers from the national budget.

There is a growing debate about whether such target programs and interventions are the most effective strategy for tackling the emerging forms of poverty; or whether,

for instance, revision and strengthening of basic social safety-net and insurance policies and systems would be more appropriate. Tensions also arise between the need to put into effect coherent sector specific policies, and the need to promote greater complementarity and coordination between sectoral policies and services in order to have a beneficial impact on poverty. The weak coordination, management, supervision and monitoring of the multi-sector national target programs is also a recognized cause for concern.

Nonetheless, it is likely that such target programs will continue to be the mainstay of the Government's approach to implementing pro-poor policies in the foreseeable future. Donors accordingly need to engage with these programs in one-way or other. In general, however, there are only weak linkages between donor supported initiatives and implementation of the main poverty reduction target programs of the Government, and this is clearly an area where there is greater scope to influence the implementation of policies.

There is a potential new role for regional / provincial poverty reduction and development projects in relation to the CPRGS process, which is to inform national level planners and donors on equitable and efficient ways of prioritising and implementing poverty-focused public investment and service delivery at the local level as tested through these projects. For DFID in particular, given its co-financing involvement with large-scale World Bank and ADB financed projects, to help develop these linkages between policy and practice is an important recommendation.

All major policy decisions passed at national level are further reviewed and approved at province/city level through locally specified decisions and guidelines for implementation. Depending on the importance of the policy decision, it will be passed by the Peoples Committee either directly or after consultation with the Peoples Council. This is a second critically important tier and juncture in the interpretation of policies (the first being in the establishment of overall investment and financing mechanisms). The recent administrative and political reforms are increasing the importance of the decision-making nexus between the legislative and Government bodies at this level, combined with augmenting decision-making powers over the utilization and management of budgets.

The capacity and mandate given to local authorities to adapt national policies and programs to suit location realities and conditions has long been a feature of the Government system in Vietnam. There are differing viewpoints on the extent to which this represents real autonomy for province authorities in the policy-making arena. However, it is important to avoid drawing general conclusions about this, and to look at the situation on a sector-by-sector, province-by-province, and policy-by-policy basis.

In many respects, the composition and style of leadership at province level is a critical determinant on how policies are interpreted and put into effect. The degree of province influence in the national political arena varies, and it is further recognized that some provinces are more progressive in ways that others are not. It is therefore important for donors who are engaging with local authorities on policy matters or program implementation to appreciate these differences in the style and strength of local leadership, and the way in which this can result in different attitudes and variable outcomes in relation to pro-poor policy.

These leadership factors comes together with a range of other variable that influence the way in which policies are interpreted, including: (i) the degree of reliance on transfers from the national budget and program financing as opposed to the availability of local tax revenue that can be utilized by the local authorities on a discretionary basis; (ii) attitudes and sanctions taken towards the use of public resources and corruption; (iii) the extent to which local authorities invest in human resource development and promote conducive incentive systems for local Government employees; and (iv) the presence of donor / NGO projects working in the area, how effective they have been at developing useful models to work from, and the degree of influence they have had on local decision-makers.

### ***Transparency, consultation, participation and information flow***

Within Government agencies there is a strong emphasis on evaluation and supervision of plans and projects. However, systems for accountability for the most part remain internal to the programme or institution. There are few official external monitoring mechanisms and monitoring is primarily based on reporting up from the commune, district and provincial levels to the centre in the form of annual reports and statistics, and on occasional workshops. Lines of communication and control are structured in ways which often entail problems of 'dual accountability' at lower levels (where, for example, a head of a provincial department is accountable to both - or in practice neither - the ministry and province officials).

The central Government has since the late 1990s attempted to respond to problems of accountability (problems which were exposed most clearly by the Thai Binh protests against corrupt local officials in 1997). Official policy has encouraged the streamlining of transparency mechanisms, most obviously in the form of the Grassroots Democracy Decree (Decree No. 29) and the Public Administration Reform (PAR) process. While the PAR reforms attempt to create a professional civil service, the Grassroots Democracy Decree aims to make Government at the lowest (Commune) level directly accountable to the local population through village meetings and through transparency in local planning and budgeting decisions. Implementation has however been somewhat slow. Evaluations of the GDD come to differing conclusions: while one detailed village study shows how in remote areas local officials can manipulate proceedings in their interests (and indeed implies that the Decree has strengthened the hand of these officials in their dealings with poor citizens), other studies conclude that the implementation of the Decree has had some (albeit limited) positive effects. There is a broad consensus, however, that the lack of capacity, inadequate remuneration and weaknesses in the application of the selection process have to date prevented the Decree from fulfilling its full potential for improving accountability and local Government performance.

Many of the barriers to improved consultation – in all aspects of public life, not just the Grassroots Democracy Decree - are rooted in the lack of capacity for facilitating participatory processes. Poor provinces rely on central funding which comes mostly through programs which have little scope for funding consultative functions.

There are numerous official processes for grievance and complaints. However, there is often uncertainty over who is responsible for addressing the issues and many Government agencies have been inefficient in redressing popular grievances. Often a lack of trust in the grievance process prevents the formalization of grievances. In many cases formal grievances are only possible if people have access to political

networks. While some groups amongst the poor may have political legitimacy and thus opportunities to voice their concerns, other poor groups (for example, illegal migrants to urban areas) may find it harder to have their complaints heard.

The Fatherland Front and its associated mass organisations play an ambiguous role in Vietnamese politics, one which mainstream political science and non-Vietnamese observers often struggle to classify. They are officially manifestations of collective identity and interest and thus sometimes classified as expressions of civil society or even as a Vietnamese form of non-Governmental organisation. However, given their close affiliation with the CPV the mass organisations are more accurately classified as socio-political organisations rather than civil society organisations: while they serve to communicate citizens' interests from the grassroots to the political leadership, they are also used to mobilise social groups in support of the political project of the Party, and to assist the Government in the implementation of policy decisions, and where necessary to pre-empt the emergence of autonomous civil society bodies and the potential challenge to the legitimacy of the Party-state that such non-state groups might pose.

Nonetheless, bodies such as the Women's Union or the Peasants' Association do provide a channel by which members' concerns and criticisms can be channelled to the state and Party, and serve an officially-mandated legal function in the formulation of policy, playing an important consultative role in the development of legislation and major decisions. Through a large membership and a comprehensive structure reaching from the national level to below the commune level, the mass organisations provide an effective method for information sharing, consultation on policy proposals and the gathering of opinions. On occasion, this means that the mass organisations will defend the particular interests of their constituencies (e.g. lower input and higher sale prices for farmers) even when this involves arguing against the policy preferences of the senior leadership. As such, these organisations may also serve as channels through which people can organize and defend their interests and to affect state agencies and policies. The Fatherland Front management board at the commune level also plays an important role in the supervision and monitoring of projects. To some degree the mass organisations maintain the policy debate at every level, ensuring consensus based policy lies at the basis of any dissemination system, however top-down in structure.

### ***Non-state influences in the policy making process***

Although Vietnam has in the past had a rich associational life (including associations with "political" goals), civil society as understood in mainstream political science is and has been for many decades underdeveloped in Vietnam. The political discourse of the CPV has not been supportive of the organisational expression of collective identity and interest outside the framework of the Party (hence the numerous mass organisations discussed above).

Over the last decade there has been a mushrooming of associations outside the realms of the Fatherland Front. After *doi moi* such associations were encouraged because of the need to mobilise support for *doi moi* at a time when it was unclear if the majority of the party and the state was behind the process. Such associations fulfil a variety of roles ranging from organising collective economic or social activities, to raising income, to representing people in negotiation with Government, to disseminating knowledge and providing feedback to the Government. Through

the opening up of Vietnam society to a broader range of influence the Government is acknowledging that it needs to cede some authority in order to retain legitimacy. However, while participation in social groups is extensive, participation in political discourse is limited and access to public resources by many of these organizations is untransparent. Many associations are state-affiliated and -funded. State administrators overseeing the operation of the associations have suggested that Government should create favourable conditions for the associations to operate and encourage their inclusion into the decision-making and implementation process in terms of providing public services.

Attempts to work outside the system are hard. This inevitably limits the scope for policy debate, and for consideration of policy alternatives. In the absence of an organised political opposition and with limited potential for autonomous organised collective action, popular engagement in the process of policy change occurs largely through the ways in which large numbers of citizens react *as individuals* to policies during implementation. When enough citizens fail to comply with policies which they judge unreasonable, the failure of the policy in question forces the Party and state to reconsider and leads to policy change. The most obvious and important example of this phenomenon is the generalised resistance to collective agriculture which forced the Government to adopt policies of decollectivisation, incremental liberalisation of agricultural markets, and, eventually, *doi moi*. By contrast to Governments in many other countries, the party-state in Vietnam seems relatively responsive to these signals. Nonetheless, this process – by which unpopular policies are changed through incremental Government response to unspoken mass non-compliance, rather than through direct communication with policy-makers channelled through civil society structures – constitutes a rather slow and inefficient model of citizen engagement in the policy process. There is a strong case for arguing that a gradual opening up of the policy process to more open debate involving organisations other than Party-state-affiliated mass organisations would be more responsive and effective. Managing this process is however politically difficult for the Government and the Party.

Local Government officials will often, to a greater or lesser extent, tacitly collude in the process of resistance-led policy change by tolerating the violation of what are locally held to be unworkable (and unenforceable) policies. In some circumstances, the Commune and District bureaucracy may also interpret policies (including by failing to implement them) in ways which do *not* serve the interests of groups amongst the poor. The importance of policy (re)interpretation by the “street-level bureaucracy” is common to all of the sectors under review in this report. In some cases low level officials exercise discretion in the implementation of policies in order to defend their interests: in many cases, however, implementation problems can be explained primarily by reference to low incentives and salaries, lack of formal transparency, lack of clarity or overlap between the jurisdictions of alternative authorities. All of these confer considerable discretionary power upon street level bureaucrats. The arbitrary manner in which citizens experience street level bureaucracy and the reality of service delivery which emerges from this bureaucracy encourages evasion and non-compliance: these responses should be seen as an important component of citizen “voice” in relations between society and the state in Vietnam.

The use of public protest as a mainstream method of lobbying is uncommon. However, there is much evidence of policy formulation in reaction to two major

protests over the last decade, suggesting that they are in fact an important if intermittent means of influencing policy. The Thai Binh protests of 1997 led the Government to introduce the Grassroots Democracy Decree and anti-corruption policies; more recent events in Central Highlands in February 2001 also resulted in significant policy shifts (e.g. on the administration of land and forestry policies in the region).

Religious identity does not play a significant role in the mainstream of Vietnamese politics, and is not likely to in the near future. There has been a notable revival of religious ritual under *doi moi*, but the overlap between politics and religion is a sensitive area for the Party and state..

The media plays an increasingly important role in constructing people's political knowledge and values, and in disseminating information and holding officials to account. Rural telecommunications and media have improved in the 1990s, but access to newspapers is rare for many at the commune level. The media reports widely on corruption - and is encouraged to do so by the CPV - but does not criticize those with political power except in ways sanctioned by the state as seen in corruption trials.

There has been an explosive growth in the Vietnamese private sector over the 1990s. The role of the private sector as an influence in policy formulation is however complex, particularly as the line between the state, the party and the private sector is blurred. However, there is no doubt that both the foreign and the domestic commercial sector have been a significant influence in the development of policy post *doi moi*. Policies since 1994 have oscillated between attracting foreign investment and attempts to limit ideological or political impact that this might have and there are signs that policy formulation is less coordinated and more prone to contradiction.

Certainly it could be said that economic growth and participation in the global economy is contributing, along with other factors, to the undermining of the dominance of the central state in setting the policy agenda. The increased interaction with capital at the local level is leading to a rise in power for the local state, new alliances, and new economic elites – trends which are reinforced by Government policies to promote growth in secondary centres and peripheral provinces. For example, the economic rise of Ho Chi Minh City has been an important force in calls for local autonomy and representation. Until recently, however, foreign investment was concentrated close to centralized control of the urban areas and in the five provinces adjoining these centres. This has limited the alliances that can develop between provinces and foreign capital.

The boundary between the private sector and the party-state is unclear, and the two interact in a complexity of formal and informal ways concerned with getting access to capital and in dealing with the formal systems. Business elites have emerged within the provincial Governments and elements of party and bureaucracy and the rise of the non-state sector has been reflected in its representation in the National Assembly. This in turn has led to questions being raised about the role of Party members in private business.

## Recommendations

Vietnam's policy system can be obscure to external analysts. It is therefore a complex process to examine motivations that explain policy change. However it is possible to say something about what appear to be the motivations and perceptions of Government, and how these are changing. Given that debates within the CPV are effectively opaque to those outside the senior echelons of the Party; and given that consensus policy-making entails an extended, iterative process involving a large number of actors, those seeking to understand the perceptions and motivations of senior policy-makers are in effect reduced to triangulating between observed patterns of behaviour and public statements of policy. These statements are written in formal ideological language which can make it hard to interpret their true significance.

Recommendations to an external actor – such as DFID – on how to engage strategically in pursuit of pro-poor policy-making must therefore wary of such complexity. On the basis of the analysis provided in this report, however, we would suggest the following:

- Given the diversity of actors and institutions involved, it is important for donors to develop the capacity to engage at different points in the system. This requires detailed knowledge of the institutional set-up of each sector, as well as investing time to build up these contacts and relationships: the one or two points of contacts that donors typically maintain, often only with the Ministerial International Cooperation Department, are not enough to enable a donor to follow or contribute to policy debate. Similarly, and given the dynamic and iterative characteristic of policy making in Vietnam it is important for donors to cultivate insights into the policy process at different levels. An external partner will be better placed to understand and contribute to policy debate if it is aware of, and engaged with, the perceptions and interests of influential sub-national actors.
- The targeting of individuals may well be effective as an entry point to policy influence. Building and maintaining such contacts calls for increased staffing levels and more long term or national staff. It also requires a sophisticated understanding of policy systems. The opaqueness of much of Vietnamese policy processed highlighted by this report should serve as a warning signal to those planning to embark on influencing base on superficial policy analysis. There are also reasons to worry that this approach (of concentrating efforts on building relationships and dialogue with a few key individuals in each major institution) is ultimately not the best approach - *particularly* in the consensus-based system of Vietnam, in which policy change relies critically upon a broad base of support.
- The statement that there is limited interaction and dialogue between sectors in policy formulation in Vietnam should be viewed as a generalisation. Joint drafting committees and circulating draft legislation may be important, but hard for non-Government actors to track. The strength of inter- (and intra-) sectoral coordination varies between some sectors. Particularly when policy change addresses regulatory powers and responsibilities, linkages between the sector ministry or ministries and the MoF and MPI become crucial, particularly during

the early stages of policy implementation which is when much of the practical detail is worked out for the first time.

- There is potential for greater donor engagement and dialogue with the specialised research and training institutes that are present in every sector (at both national and sub-national levels). These institutions play an important role in contributing to policy development, implementation and monitoring, and may be more open to debating policy decisions on technical merit.
- Much of the real content of policy is contained not in the initial high-profile declaration of strategic decisions but in the subsequent working-through of practical implementation details in supporting regulations and guidelines. It is at this stage that the pro-poor content of policy may be decided. Keeping track of this very considerable volume of policy documentation, and spotting what is significant, requires a major investment on the part of donors, but has potentially great benefits. One option would be to review which of the existing development libraries available to development partners and use this as a nucleus for a co-financed, comprehensive policy library. This would involve a documentation exercise could focus upon the creation of a comprehensive online electronic database of policy documentation.
- Targeted programmes remain central to the Government's overall policy framework for poverty reduction. Indeed, these programmes are often seen by officials as effectively synonymous with poverty reduction policy. This – and doubts about their efficiency and effectiveness - worries many donors. However, it is likely that they will continue to be at the very least a major plank in the GoV antipoverty policy platform for the foreseeable future, so donors are well advised to engage with them. One way to package this engagement is as an approach to supporting the implement of the CPRGS, framing (for example) Programme 135 implementation arrangements in relation to the strategic national goals established in the CPRGS.
- This – along with other complementary actions – should help donors build links with the Provincial and Municipal levels of government. These levels – and particularly the People's Committees and People's Councils - play an extremely important role in interpreting and implementing policy (and indeed, as in the case of the emergence of the basic idea for the HEPR in Ho Chi Minh City, in developing new approaches which then become adopted as national policy). The importance of these levels is increasing under the influence of processes such as the PAR; but varies between provinces and municipalities. There may be a role for donors in helping to build policy-making and policy-operationalisation capacity in Provinces and Municipalities in which these capacities are currently lacking.
- Donors tend to look for concrete structures when trying to engage with civil society, which in the case of Vietnam is problematic, as most of the influence of Vietnamese civil society is found outside that of formal organisation. The recent emergence of local non-profit think tanks or quasi-NGOs has proved valuable as “translators” between the policy discourses of donors and Government and or as intermediaries between donors and local beneficiaries, but they should not be equated with civil society in the sense of organisations based in or even close to the grassroots.

- An alternative (or complementary) approach is to encourage other forms of non-state or quasi-autonomous voices in the policy process. This might include for example, developing the professionalism and expanding the role of the media, or strengthening existing accountability and transparency structures. As a strategy for engaging with non-state voices this is no less problematic, and perhaps no less elite-focussed, but it does serve to sustain a *plurality* of semi-autonomous actors. Equally, despite the political objectives and top down command orientation of the mass organisations there may therefore be pro-poor gains in strengthening the existing mass organisations to reach the poorest.
- One proposal which runs contrary to current thinking among many donors in Vietnam (and internationally) is to make use of pilot studies in influencing policy. Despite the way in the proliferation of donor-backed pilot studies can undermines the core policy-making capacity of Government ministries it should be recognised that in a political system which is characterised by caution and an interactive and responsive policy process, pilots may well create space for experimentation. They may also, perhaps paradoxically, give donors the legitimacy to engage in political issues.

## Preface

### ***Background to the study***

This report is one of four commissioned by the UK Department for International Development (DFID), and one of two of these four studies that were carried out by the London-based Overseas Development Institute (ODI)<sup>1</sup>. These four country studies were commissioned in response to a sense that knowledge and understanding of underlying political systems and the mechanics by which policy-making changed in a pro-poor direction was weak within DFID. Recent work by the likes of Khan, Easterly and Unsworth implies the need to pay more attention to the nature of power relations, the patterning of political accountability, and the ways in which the voice of citizens (and poor citizens in particular) is or is not reflected in the political process. By understanding the incentives to which those with the power to define and implement policy respond, it is hoped that DFID might be able to better influence them in favour of the poor. The core of this research is thus to provide insights into how relationships within and between state and society influence the formal and informal decision-making process and thus policy outcomes for the poor. These insights should help to guide DFID (and other development agencies) in engaging more effectively with partners.

### ***Approach and method***

The ToRs ask for a study which is “strongly empirical but situated within a coherent political science framework”, which would analyse Government policy-making in Vietnam, with a focus on reviewing policy history over the past five to ten years. As in the other three studies, the review concentrated upon three policy “areas” (forestry, land and access to primary health care). Where possible, the researchers have sought to identify general trends and propose explanations for what changes explain these trends.

The study has drawn on both existing literature on Vietnam (covering the fields of politics, poverty, policy-making and implementation) and interviews with policy actors (in Government, NGOs, and donor organisations), with in-country fieldwork concentrated during a three-week period during February and March 2003. (A list of those met during the course of the research is included as Appendix 2.) The researchers drew on their extensive knowledge of patterns of regional variation to describe how land and natural resource management and conflicts, health policy change, and decentralisation vary between different regions within Vietnam.

The authors benefited greatly from discussions with DFID advisors in Hanoi, Bangkok and London, both during the Inception Report period and later the in-country research visit. These discussions yielded two broad sets of comments. From London, it was suggested that we needed a more explicit theoretical underpinning to the research programme; from the country team, it was requested that we should look forward as much as back, and that the analysis should yield

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<sup>1</sup> ODI has researched and written the Cambodia case study as well as this study of Vietnam. A team led by researchers from IDS have conducted the studies on Indonesia and Madhya Pradesh (India). The full ToR for the study are included as Appendix 1.

practical guidance as well as academic insights. We have tried to reconcile these two sets of expectations as much as possible.

### ***Structure and organisation of the report***

This report is intended for a variety of audiences. The primary audience is the DFID Vietnam country team, for whom it is intended to provide a broader and deeper political analysis within which to situate their decision-making in response to specific sectoral policy issues. More ambitiously, we also make some recommendations in the final chapter: these too are relevant primarily to DFID staff in Hanoi, Bangkok and the Asia Division in London. The second potential audience is comprised of other policy actors – Government<sup>2</sup>, donor and national and international NGOs – within Vietnam. Finally, the report is intended to be read alongside the studies of Cambodia, Indonesia and India as a case study for those interested in connections between political systems and pro-poor policy dynamics in developing countries.

It is anticipated that these various readerships will have different priorities regarding what they wish to take from the report. We have attempted to accommodate this in the structure and format of the report. Those in DFID already familiar with this project and the inception report that preceded the fieldwork stage may wish to skip Chapter 1, which provides the conceptual and theoretical structure for the analysis of state-society relations and policy-making, locating it in terms of the general literature on the connections between politics, policy and poverty reduction in the developing world. This should allow this report to be read as a stand-alone document without needing to refer to earlier documents (the proposal or the inception report), or the subsequent synthesis report.

Similarly, those pressed for time may prefer to skip most or all of Chapter 2, which provides country background material, intended to enable the general reader who is not familiar with Vietnam to understand the political system in context, and to make informed comparisons between this country case study and the other three.

We have also attempted to organise material within chapters so that descriptive material – for example, on a given policy within the health sector – is contained within boxes or footnotes. Those familiar with both the country and the sector can easily read around these, to see how we interpret the significance of events or processes with which they are already familiar. Those who are not however already familiar with the issues can find in the boxes and footnotes the context for the analysis contained in the text.

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<sup>2</sup> It is anticipated that DFID may prefer to present an edited version of the full report for public circulation with GoV and other donor partners.

# 1 Conceptual framework

The subject matter of this research lies at the overlap of two fields which are often treated as largely distinct. This chapter briefly sketches the key concepts that we will draw from these diverse traditions<sup>3</sup>.

## 1.1 Politics and development studies

The first broad field is that of political studies, political science and political history, with a focus on the nature of state-society relationships (from Marx and Weber onwards), power, and regime type. The connection between political studies and development studies, and the degree to which development policy has taken politics seriously, has waxed and waned over time. Much of the interest in developing world politics has been focused on “whole system” transitions (e.g. democratisation - Huntington 1991, Carothers 2002 - or state collapse through rebellion, revolution, or *coup d'état*). Some of the work in this field involves examining panels of countries to see if there are consistent relationships between regime type and macro-level development outcomes (with the general conclusion that there is no clear link between democracy and poverty reduction: see Moore et al 1999, Hassan 1996).

Other approaches have looked in more detail at the nature of the state and its embeddedness in society. Some of this is highly context-specific, approaching contemporary politics through a focus on political culture and discourse which owes as much to anthropology as it does to political science (e.g. Kaviraj 1991). This literature does however provide a set of useful concepts with a high degree of generalisability. We will draw on the work of Bratton and de Walle (1997), who distinguish three levels of political or institutional analysis.

*Political traditions* are those long-standing cultural legacies that suffuse political and social institutions. Examples would include Weber's Protestant work ethic, or its contemporary equivalent in “Asian” values of family-centred aspiration and acceptance of benevolent authoritarianism, commonly ascribed to Confucian East Asia<sup>4</sup>. Another example of underlying traditions shaping political institutions and regimes would include the differing endowments of social capital used by Putnam to explain different economic and political trajectories in north and south Italy. In Vietnam it is commonly argued that the template of political traditions is influenced heavily by the Confucian values and institutions of China: and, indeed that the reason for the (relative) success of the state socialist model in Vietnam (as in China) is that many of the precepts (of a benevolent, intellectually enlightened authoritarian state) resonate those of an older, deeper Confucian tradition of statecraft.

However, the role of political traditions needs to be addressed carefully. It is necessary to make the distinction between i) acknowledging that there are observable historical continuities in political concepts and values, and that these vary between different countries, and ii) accepting a relativist argument that differences in political systems are not – or should not be – subject to purposive transformation. The major

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<sup>3</sup> This chapter is a highly condensed summary of the literature review and theoretical discussion contained in the technical proposal and inception report for this research project.

<sup>4</sup> See Rigg (1997) for a summary of the “Asian values” discourse, and of its critics.

intellectual weakness of the strongly anthropological position is that it implies that political “cultures” are bounded, unchanging and independent of each other. By ignoring the role of human agency and the exercise of power that is involved in construction and reproduction of culture, a focus on political traditions can be used to deny competence to comment, and reject any suggestions.

The question of a Vietnamese political “tradition” thus needs to be regarded as complex for a number of reasons. Political traditions were moulded over the decades through the influence of modern – and, in culturally relativist terms, largely “Western” - ideologies of nationalism, socialism and human rights; and by widespread social dislocation during a long and bitter period of revolutionary war and division of the country into two warring states. More recently, Vietnamese political traditions have over the 1990s been subject to purposive intervention by donors, non-Governmental organisations and others seeking to reform political traditions, and by the more intangible influence of increasingly broad exposure to foreign social, economic and political arrangements. Internally, there has been extensive “invention of tradition” under successive (pre-colonial, colonial and post-colonial) regimes<sup>5</sup>. All these factors suggest the need to adopt a balanced perspective which addresses the mixture of continuity and change in fundamental political values.

The second level of analysis used by Bratton and de Walle – that of *political regimes* - can be defined as the sets of procedures that determine the distribution of power. Various attempts have been made to define criteria with which to categorise different types of regime. Dahl’s approach locates political regimes along two axes, firstly according to the degree of political competition (from monopolistic to pluralistic) and secondly by the degree of political participation (roughly speaking, the proportion of the population entitled to participate in politics on a more or less equal level). This is useful in understanding the broad contours of power relations within any given political system and the nature of its embeddedness in society. However, there are limits to which the interesting variations in either competition or participation can be captured on a scale, that is, as a quantity. While Vietnam would have to be described as a monopolistic (one party) system, this characterisation provides only a partial description of the nature of political competition. A fuller description of the nature of political competition would have to reflect on the basis of that competition, with ideological issues (or at least issues of collective national interest), which are more pronounced in Vietnam than in many dysfunctional formal democracies. Similarly, the nature of the participation or inclusion of the population in the politics in different countries cannot completely be captured on a scale that is independent of value judgements about what *type* of participation matters. In terms of the political interests of the poor, opportunities for participation “between elections” may be as important as or more important than regular participation in elections (implicitly the metric of participation in Dahl’s schema). In Vietnam, these opportunities for participation are relatively numerous (although not without their problems: see Chapter 3 below). Simply describing the proportion of the population that can participate in politics is thus a necessary but not sufficient perspective on the inclusiveness of a given political regime.

In describing regime type – especially for the purpose of policy analysis - it thus seems helpful to complement a focus on participation and competition with

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<sup>5</sup> Templar (1999) provides a critical assessment of the validity of describing Vietnamese culture as Confucian, and the changing position taken on this subject by Vietnam’s socialist leaders.

attention to accountability and representation (Fox 1997; Jenkins and Goetz 1999a, 1999b). Examining accountability and representation provides some observable phenomena to research<sup>6</sup>.

The third and last level of analysis used by Bratton and de Walle is that of *political institutions*. The term “institution” is awkward, as it is used in at least two different ways. In academic terminology, there is a commonly accepted distinction between institutions (“rules of the game”) and organisations (“players”) (North 1995: 23). In daily usage, however, the term institution is often used interchangeably with organisation, so that a Ministry of Health is also described as a political institution. Bratton and de Walle explicitly accept that the term can be used in both senses<sup>7</sup>.

Huntington links institutions and organisations in an interesting manner, defining institutions as “expected patterns of behaviour”, which helps to establish the distinction between organisations that are institutionalised (i.e. predictable in their procedures) and those that are not. O’Donnell argues that consolidated democracy is institutionalised democracy – i.e. political actors work on the assumption that democratic processes will continue to be the major means of managing conflict in society. He also draws a distinction between formal institutions (elections, parliaments, courts) and informal institutions (patron-client networks, influence of elders: O’Donnell 1996). This helps to frame an analysis of the policy process, to the extent that regularised political frameworks are more accessible than discretionary and unpredictable ones.

Institutions and their organisational expressions help to provide a concrete focus for the examination of policy choices, in both the short and long term. By setting the rules of the game – and determining which actors are allowed to play – institutions both perpetuate and transform regime characteristics.

## **1.2 The policy process**

The second broad field of relevance to this research is the more applied field of policy studies. This field typically i) examines how Governments come to identify and define a policy issue; ii) identifies the influences upon policy formulation; and iii) analyses the process of implementation and feedback, and the factors (capacity, resources, incentives) which can result in policy outcomes which fall short of or contradict the intentions of policy-makers.

There are a range of conceptual models which purport to describe the policy process, starting with the rational or linear model. This assumes that policy-making moves through stages (agenda, analysis, decision and implementation) in a logical and technocratic manner. In practice, of course, this is a highly idealised model. Initial definition of the problem and identification of options are shaped by popular discourses, particular narratives of causality embedded within expert communities,

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<sup>6</sup> e.g. What kinds of organisations represent the poor? How do these identify and promote the poor’s interests? How do poor groups hold Government accountable? What repertoire of contention or forms of resistance are available to the poor? (Tilly 1986; Scott 1985)

<sup>7</sup> “political institutions can be highly abstract notions, such as constitutional principles, or they can be expressed concretely in actual organisations, such as trade unions, political parties, or the military. They include key aspects of formal politics, like the judiciary, but also informal customs such as patronage, clientalism, seniority principles, or lobbying” (1997: 40).

and the preferences of powerful stakeholders. The first major critique of the linear model thus focused upon how policy issues are constructed. This *incrementalist* school emphasises the incentives towards evolutionary rather than revolutionary change: only a few crucial consequences are weighed, amongst which political rather than technical merit often prevails, resulting in “disjointed incrementalism” (Linholtm 1980). Other alternatives include *rational choice* or neo-classical models, which posit policy choice as the outcome of public officials responding (to gain election or rents) to groups in society who organise to lobby in defence of their interests. Each side is assumed to be well informed and to act rationally - leading to criticism that the approach is overly theoretical and atomistic.

*Elite-centred models* emphasise the ways in which policy-making is embedded in power structures: choices are seen as the outcome of struggles between factions within political and bureaucratic elites, who may be motivated by self-interest or altruism, implying that the values and perceptions of social elites are important influences. *Institutionalist* perspectives analyse policy choices and outcomes through the lens of political institutions, seeing the state either as an actor in its own terms and at least semi-autonomous of society, or as an arena for competition between competing social and economic groups. There is much complementarity and overlap between institutionalist analysis and *interest-based* approaches, which focus on the role of political and social interests in shaping policy choices and implementation. Influence is seen largely as a function of a group’s capacity to articulate and organise a cohesive identity, pursue collective action, and form effective coalitions.

For our purposes, one of the key conclusions from this literature is that the idealised distinction between formulation and implementation is in reality often blurred. Public sector policies are almost always transformed during implementation because “front-line bureaucrats” responsible for service delivery have the scope to exercise discretion during implementation, so shaping what service is provided to whom.

### **1.3 Relating the political system to the policy process**

While there is clear overlap, policy research has often been treated as a relatively autonomous sub-discipline within political science, and dominated by research on Northern Governments. Some authors have addressed how specific aspects of the political system affect service delivery and development outcomes (e.g. Jenkins and Goetz), but only a few have (e.g. Grindle or Tandler) have really addressed the links between politics, policy-making and outcomes in a broad and systematic manner.

The conceptual framework used in this study draws pragmatically upon political science, policy studies and the contemporary social science literature on Vietnam. One of the challenges is to suggest which aspects of the policy process can be most clearly related to the successively deeper levels of political substrate. There is a presumption that political institutions change more rapidly than regime type; and regime types, in turn, change faster than the political traditions (assumptions regarding the basis of authority and legitimacy) in which they are embedded. For an external actor such as a donor, there is a need to know what concrete problems with the policy process are amenable to resolution in the short- to medium-term, through reformulating institutions; and which are so deeply rooted that they are only likely to respond slowly to long-run historical changes (such as increasing urbanisation, literacy, and the emergence of new economic and social groupings) and so must be worked around rather than addressed directly (Unsworth 2001).

## 2 Country context

This chapter provides a brief summary of Vietnamese political history since independence, concentrating in particular on the period since the introduction of economic liberalisation (*doi moi*) in 1986. Reviewing what was achieved in terms of poverty reduction in this period helps to identify firstly

This chapter provides a concise background to the complexity of historical factors and events which have shaped the nature of the current poverty discourse in Vietnam. The summary of Vietnamese political history since independence (2.1) concentrates in particular on the period since the introduction of economic liberalisation (*doi moi*) in 1986. However, it is impossible to understand the processes of *doi moi* without some awareness of post-colonial politics and the way in which they were rooted in pre-colonial traditions. The very definition of ‘Vietnam’ itself is controversial with huge differences between the ethnic groups and the social organisation of the north, central and southern areas. This, added to the conflict throughout Vietnamese history between the need for a centrally administered economy and the indisputable existence of strong village institutions, has created social tensions between the geographical core and the periphery. This tension is reflected today in the varying legitimacy of the party-state and the differing implementation and interpretations of policy.

Tracing and understanding the way in which policies and the dialogue over poverty has shifted over time provide clues as to how donors can influence policy. The second part of this chapter (2.2) explores the evolving nature of the political debate over poverty, its causes and consequences, and the mechanisms that the state has employed to tackle poverty-related issues. The programmatic approach to poverty (signalled most strongly by the HEPR and programme 135) dominated the Government approach to poverty through out the 1990s. This was against a background of emerging tensions as a result of increasing inequality associated with the impressive growth and increased vulnerability to the world market. The recent Comprehensive Poverty Reduction and Growth Strategy (CPRGS) has attracted a great deal of attention in the poverty agenda (although to date more from donors than from most Vietnamese political actors). This will have important implications for the way in which donors operate, although the mechanisms by which the process will be practically and institutionally linked into the service delivery and program operation on the ground are still to be established.

## 2.1 The historical context

### Post-colonial politics in Vietnam: independence, Cold War conflict and reunification

In a long-term perspective, the underdevelopment of Vietnam (and Cambodia and Laos) relative to the rest of east and south-east Asia reflects the fact that the country was at war for much of the last fifty years. Box 1 summarises the struggle for a unified and independent Vietnam since the end of World War II.

#### **Box 1: Vietnam 1945-1975 - independence, war and reunification**

The French held sovereignty over the Mekong Delta since 1874 and over the north and centre of Vietnam since 1884. Having fought the Japanese during WWII, Vietnamese nationalists under communist leadership established an independent state in 1945. French efforts to reimpose colonial rule ended in defeat at Dien Bien Phu in 1954. A peace settlement temporarily divided Vietnam into a socialist north and a capitalist south, with nationwide elections to be held in 1956. When the southern Government of Diem pulled out of this agreement in 1955, the Hanoi Government initially concentrated upon consolidating its rule in the north. From 1959, however, responding to demands from southern cadre that they be allowed to resist the Diem regime, the Government declared a move to armed struggle in the south. The National Liberation Front was announced in 1960; in 1964, regular units of the Hanoi army began to infiltrate the south. The notoriously corrupt southern Army of the Republic of Vietnam (ARVN) rapidly lost ground, prompting US air attacks on the north in 1964 and the arrival of US troops to support the south in 1965. Fighting escalated, culminating in a massive surprise attack on ARVN and US forces during Tet (New Year) 1968. While NLF and northern units suffered terrible losses, the offensive proved politically decisive, breaking the will of the US public and political establishment and leading Nixon to initiate a gradual process of US disengagement. The Saigon Government eventually collapsed in the face of an assault launched across the 17<sup>th</sup> parallel in January 1975, surrendering on the last day of April. Following a brief period of transitional Government in the south, Vietnam once again became a unified state in July 1976.

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

These difficulties were exacerbated by the fact that the country was isolated from most aid<sup>8</sup>; and by the fact that peace did not last long. Murderous cross-border raids by the Khmer Rouge finally provoked a Vietnamese invasion of Cambodia in late 1978, providing a pretext for a US-led move to exclude Vietnam from trade and development assistance. Early in 1979, while still heavily committed in Cambodia, Vietnam was attacked by China. Fierce resistance forced the Chinese to a ceasefire; the occupation of Cambodia, however, dragged on until 1989, and imposed a heavy drain upon a country struggling with stagnant growth and, towards the end, a rapid decline in aid from the USSR.

### Economic liberalisation under one-party politics

Fundamental problems with the centrally planned economy were apparent by the late 1970s. These problems were most clearly seen in terms of declining agricultural production and per capita food availability which was universally low, and in some places and at some times bordered on localised famine. Particularly in the south, sub-national Governments were forced to recognise the extent of opposition to collectivisation, and informally allowed land to revert to private ownership. Between 1979 and 1981 a number of political decisions recognised these reversals and chipped away at the collective basis of agriculture.

These changes stimulated a temporary increase in food production, but by the middle of the decade the limitations of these cautious reforms were becoming apparent, and were stimulating broader debate on the potential benefits of a mixed economy, rather than merely how to fix problems in the agricultural sector. In 1986 the CPV elected the reform-minded Nguyễn Văn Linh as Secretary General, and initiated a process of economic liberalisation or *đổi mới* (“renovation”). In April 1988 the Politburo proposed a “household contract” (“contract 10”) model of family-based agriculture<sup>9</sup>. External factors increased the pressure for change, as the collapse of the USSR removed Vietnam’s main source of aid and left it increasingly isolated in its adherence to an ideology of central planning. The land law passed in 1993 legalised the existing reality in which individuals were working, selling and mortgaging land, by granting renewable 20-year use rights to households (Kerkvliet 1995 pp. 410-413; Watts 1998 pp. 471-474).

The package of macroeconomic and microeconomic reforms encompassed by *đổi mới* has had dramatic results. Paddy production rose 26% between 1987 and 1989, and Vietnam went from a 750,000 ton grain deficit in 1986 to become the world’s third largest exporter by 1992. Between 1993 and 1998 GDP rose by an average of 8.9% p.a.; the proportion of the population living in poverty, as measured by the Vietnam Living Standard Surveys (VLSS), fell from 58% to 37% over those five years, with commensurate improvements in almost all aspects of wellbeing (Dollar *et al*, 1998; Haughton *et al*, 2001; PWG, 1999).

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<sup>8</sup> It did receive considerable aid from COMECON countries, and a degree of assistance from a small number of friendly OECD nations (notably Sweden) and UN agencies with more flexible mandates.

<sup>9</sup> A Government report concluded that “invisible, collective management of land is not appropriate” and that a piece of land needs “an actual, real person who values and protects it as one’s own precious property”.

The revival in growth and living standards also seems to have given the political leadership the strength to engage in radical shifts in foreign policy from the early 1990s. Protracted negotiations eventually led to the normalisation of diplomatic and commercial relations with the US, a thawing of relations with China, and the resumption of contact with the IFIs. With the opening of IMF and World Bank offices other bilateral and multilateral donors began to enter the scene, and by the turn of the century Vietnam was in the enviable position of being one of the world's largest aid recipients, while simultaneously enjoying relatively low levels of aid dependency. Foreign investment and aid have exposed the Vietnamese party-state, which prided itself on its self-reliance, to new ideas and policy discourses. These influences are still relatively marginal – IFIs and donors do not dominate the formal policy agenda as they do in many heavily aid-dependent countries – but they have introduced the Government of Vietnam to new discourses of poverty and of what constitutes modern, effective public policy for economic management and social policy. Debates on public administration reform and to a lesser extent public expenditure management are regarded with cautious interest, with Government stakeholders taking from international advisors what they believe they need in order to respond to new political challenges.

At the same time the increasing openness of the Vietnamese polity requires the political leadership to manage growing pressures – external and internal – for political liberalisation. The extremely impressive record of *doi moi* faltered in 1998. The regional economic crisis was a major factor – Asian states accounted for 70% of FDI and 60% of export markets, and Vietnam's competitiveness was severely eroded by rapid devaluation in the currencies of neighbouring states – but most observers also conclude that the GoV response was not particularly good, in large part because existing political divisions contributed to a lack of consensus on how to proceed, and a consequent slow and piecemeal response<sup>10</sup>.

### Doi moi and growth-led poverty reduction: revisiting the reforms of the 1980s

The policy shifts associated with *Doi moi* are today typically depicted in a positive sense - in both Government and donor circles - as a series of proactive steps taken to open the door towards liberalization of the economy. It is essential to remember that these shifts were originally made in response to a severe economic crisis in the mid-1980s. In particular, it was the critical collapse in agricultural production and commodity distribution, resulting in widespread food shortages in many parts of the country, which prompted new policy directions at the highest level. This was brought about by the collapse of external assistance from the Soviet Union (in particular the curtailment of fertiliser shipments that underpinned Vietnamese rice production in return for labour export that formed the basis of trade agreements between the two countries), combined with widespread drought in 1987 to 1989, and infestation of the paddy crop in the Mekong Delta region over successive seasons.

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<sup>10</sup> “Conservatives within Vietnam's leadership blamed the Asian crisis on capitalism, and believed that Vietnam's lack of integration was a blessing. Reformers blamed the crisis on ‘crony capitalism’, imperfect markets and too much Government intervention” (Abuza 2002: 127-8).

The evident political concern at the time is reflected in observations on the economic management system made by the Sixth Communist Party Congress in 1986 that paved the way for the accelerated reform process:

“The bureaucratically centralised management mechanism based on state subsidies, which has been in force for many years now, far from creating the driving force for development, has weakened the socialist economy, limited the use and transformation of other economic sectors, put a brake on production, lowered labour productivity, product quality and economic efficiency, placed distribution and circulation in a state of chaos and given rise to numerous negative manifestations in our society” (SRV, 1987).

The reforms of this period were hard choices that needed to be made in difficult circumstances. But while the political difficulty entailed in accepting the need for a new direction should not be underestimated, once this hard decision had been made, dramatic gains were possibly with a few fundamental and relatively simple policy changes (Conway 2002).

The initial steps taken in 1987 were to liberalize internal trade by introducing market prices for some non-essential goods, abolishing the rationing system, and giving state enterprises greater autonomy to apply profit-based accounting. This was followed in 1988 by sanctioning land allocation to individual households for longer tenure periods in order to stimulate investments in agricultural production. Further sweeping reforms made in 1989 included eliminating the dual pricing system to prompt the free circulation of goods (with the exception of electricity, medicines and accommodation), trade liberalization to begin stimulating foreign investment and exports, and fiscal reforms that included broadening the tax base and separating out the functions of the commercial and state banking sectors.

The reforms that emanated from the Sixth Communist Party Congress in 1986 provide a logical starting point for this analysis. Nonetheless, many of these reforms served to formalise and further encourage moves that were already occurring on an *ad hoc* basis on the ground. This is particularly so with respect to the allocation of agricultural land and relations between rural households and the collective structures. In the political heartland of the north the cooperatives had been in place for several decades, but even by the late 1960s and early 1970s there was evidence of flaws in the cooperative system (Kerkvliet and Selden 1998). Kerkvliet (1995) suggests that many of the events of the collectivisation era indicate that people individually and collectively “threw the monkey wrench into the state’s ability to implement programs”. Combined with the fact that the central planning system was only established throughout the whole country between 1976 and 1987, and was never deeply embedded in some regions, this enabled some of the subsequent reforms to be carried out with ease (Van Arkadie, 1993).

In the north, direct resistance to collectivisation was rare during and after the war (Kolko, 1997) and as such took the form of ignoring or evading collective regulations where it was in local interests to do so (Hy Van Luong, 1992). In some areas there had been a shift back to household production and a rise in the number of ‘hidden’ contracts to households with the passive consent of local officials (Watts, 1998; White, 1986). The management boards of the cooperatives also held extensive rights to decide on access to and use of resources, and often more than the

permitted five per cent of cooperative land was leased out to individuals (Watts, 1998; Fforde, 1990; Kerkvliet and Selden, 1998).

Over much of the Mekong Delta and other areas of the south the collective system of land holding was never a dominant feature of the social and agricultural structure. The cooperatives were essentially an “ownerless regime” and many households were unofficially eluding the legal land structure and held short-term land contracts as well as belonging to cooperatives (Kolko, 1997; Kerkvliet and Selden, 1998; Ljunggren, 1993). Quang Truong (1987) notes that by the early 1980s officials claimed that collectivisation goals had been achieved in the south, but in reality they had resigned themselves to failure, and he goes on to suggest that if the leadership in the south had not modified the collectivisation process there could have been open revolt. Cooperatives were abandoned, and by the late 1980s much of the land had already been returned to its original owners and there had been a widespread shift in the policy to favour household and local demands (Hy Van Luong and Unger, 1998).

As noted by de Vylder (1993):

“The failure of the central planning system to maintain control over resources forced economic agents – individuals as well as agricultural co-operatives – to engage in a reform process ‘from below’, the authorities had tacitly to admit that the old development model had become unimplementable.”

Together with the resistance to collectivisation that had been experienced in the south, the crisis in agricultural production in the mid 1980s further prompted moves by several provinces in the north to more widely replace the former ‘output-contract’ system of rice production with individual allocation of paddy land to households. These combined pressures from the ground were critical in prompting the rethinking of land policies at the highest level.

These local political pressures, however, were symptomatic of a more fundamental question that was evidently of concern to the CPV leadership at the time. Prior to reunification of the country, the ideology of nationalism had been used by the Party and Government to legitimise not only the drive towards unification, but also a broad spectrum of collectivist and in many respects essentially inclusive socio-economic strategies and policies. For instance, the socially inclusive policies the state has consistently adopted towards ethnic minorities (many of whom inhabit the remote border regions) should be seen in light of this political imperative to ensure national unity. The poor economic performance following reunification of the country caused a deep crisis in the moral and intellectual legitimacy of the regime (Alagappa, 1995). Socio-economic and cultural differences made the northern model of legitimation impractical in the south, and reform in other Socialist block countries further undermined its credibility (Vasavakul, 1995). The policy shifts associated with *Doi moi* – and the political construct of the *socialist oriented market economy* – can therefore be seen as an attempt by the CPV to renew its legitimacy and authority by encompassing a broader spectrum of institutions and economic management processes within the governing ethos of the one-party socialist state.

## 2.2 Policy change and poverty reduction in Vietnam

### Programmatic approaches to policy formulation and implementation

The dramatic poverty reduction seen over the 1990s was primarily driven by a sequencing of development policies. A socialist phase provided basic services which created a solid foundation of human development (a healthy and educated population), while decollectivisation was managed in such a way as to distribute land assets in a broadly egalitarian manner. When liberalisation policies were then introduced, the resulting economic growth was both rapid and broad-based, and lifted a great many households out of poverty over a short period.

Complementing the growth-led achievements in poverty reduction, however, were a number of policies *directly* addressed to poverty reduction. Throughout the 1990s, the Government has tended to package poverty reduction policies in the form of special target programmes (e.g. through Program 327 in forestry, Program 135 for infrastructure investments in poor communes, and the umbrella Hunger Eradication and Poverty Reduction (HEPR) programme). The official rationale for such an approach is to concentrate resources, provide clear and target-oriented definitions of roles and responsibilities, and facilitate co-ordination between different parts of Government. They also, arguably, reflect a certain “style” of policy-making: the socialist period relied heavily upon exhortation and social mobilisation through a “campaigns” approach to the solution of social and economic problems, and target programmes reflect this legacy<sup>11</sup>.

The target programmes thus remain a very important element of pro-poor policy-making, embedded in an established political tradition and its associated institutions. In effect, these programmes represent one of the main mechanisms by which the Government uses public funds to effect redistribution in favour of the poor. However, there is a growing debate (prompted by some donors) about whether such target programs are necessarily the most effective strategy for tackling the forms of poverty that are emerging in the current economic situation. At the same time tensions also arise between the need to put into effect coherent sector specific policies on the one hand, and the need to promote greater complementarity and coordination between sectoral policies and services in order to have a beneficial impact on poverty on the other. The weak coordination, management, supervision and monitoring of the multi-sector national target programs is a recognised cause for concern.

Nonetheless, it is likely that such target programs will continue to be the mainstay of the Government’s approach to implementing pro-poor policies in the foreseeable future. (The review and revision process for Program 135 and the HEPR are already underway in preparation for the next phases, scheduled to begin in 2006). In this

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<sup>11</sup> Alternatively, it is possible to argue that the preference for targeted programmes reflects a broader east / south-east Asian pattern of state-society relations and tradition of state-led development, as much as it does a particularly socialist tradition. Similar “campaigns” approaches have also been an important part of the policy landscape in other, non-socialist states in the region. (Dang Kim Son, personal communication)

context, it is unfortunate that there are, in general, only weak linkages between donor-supported initiatives and implementation of the main poverty reduction target programs of the Government.

## Emerging challenges in the poverty reduction agenda

The impact of the reform process in Vietnam has been impressive, both in terms of economic growth and poverty reduction. As these policies have been rolled out over the last decade and a half, however, there remains a dichotomy between the introduction of a dynamic, open economic management system and a political system that changes only slowly; and between socialist ethics (e.g. with regard to equality) and the market economy. This has given rise to structural tensions in the system of Government and in the application and delivery of policies. Similarly, in the debate over poverty there are important debates about how to combine growth with equity; about how to balance programmatic and target-led approaches with broader equity-oriented policy solutions; and about how to combine policies for growth with policies designed to address new forms of vulnerability that have inevitably resulted from the reform process.

There is recognition within the Vietnamese political system (at least at the highest levels) and amongst its donor and NGO partners that achievements in poverty reduction cannot be expected to follow a simple linear progression. As the poverty headcount has been progressively lowered, the profile of poor groups, the factors causing poverty, and the structural changes that need to be addressed to ensure continued sustainable poverty reduction have all changed considerably. The economic growth that began in the late 1980s played out in an economy in which the initial distribution within society of key assets – most notably the physical asset of land, but also human capabilities such as education and health care – was remarkably equal. The result was that, unusually, a rising tide *did* by and large lift all boats. While some groups benefited more than others, almost all benefited, and most benefited to a significant degree. Inequalities widened but remain in international terms low.

Over time, however, it is likely that differences will become more pronounced, as further economic growth results in assets and power becoming concentrated along various dimensions, at various levels. Indeed, it would be surprising if this did not occur. There is a real danger that as poverty rates amongst the majority *Kinh* fall, poverty becomes primarily associated with ethnic minority groups, especially those in the mountainous regions. At the same time, the shift from a planned to a mixed economy has eroded the coverage and effectiveness of state-provided education, health care and social protection services.

The way poverty is understood by donors overlaps to a significant degree with the way poverty is understood within Vietnam – both within the political system and also to a large degree within society. However, there are points at which the donor discourse of poverty does diverge from that of the Vietnamese political system, and it is helpful if all parties involved understand where these differences in perspective are likely to occur and what they imply for policy. The Party-state ideology that provides a strong underpinning to pro-poor policy-making in general includes within it a discourse of socialist ethics and morality, which in turn frames some social issues or economic activities – and the specific poor groups involved or otherwise affected – in terms which emphasise their undesirability and illegality. This is seen in the case

of the marginalisation of certain socio-economic minorities: namely, those labelled as being engaged in “social evils” and illegal urban migrants. The official Government definition of “legitimate” poor may exclude the most vulnerable; for example unregistered households who cannot access HEPR programmes (Oxfam GB *et al* 2002). Conversely there are some groups which are explicitly favoured by government policy and it could be argued that in some cases this differential treatment at the commune level towards *chinh sach* households who are veterans, war invalids or in some way connected to the Communist Party has resulted in the exclusion of others from accessing limited resources and services.

Given that both the Government and dominant donors are committed, in subtly different ways, to the case for growth-led poverty reduction, dealing in a coherent way with these emergent issues relating to equity and regional and socio-economic differentiation will be of up most importance. There are thus a number of specific challenges that the Government faces in maintaining rapid and broad-based growth as the ‘easy wins’ achieved through decollectivisation reach their limits. It is a challenge to balance enabling policies with regulatory or redistributive policies in such a way as to effectively harness the dynamism of growth poles (the Red River and Mekong Delta, and in particular the economic powerhouse of Ho Chi Minh City, which is responsible for around a third of aggregate growth) for the benefit of spatially- and socially-balanced development.

There are also several particular sectors of economic activity – for example, in coastal aquaculture and commodity crop production areas – in which contemporary rapid growth is clearly associated with either stagnation in the gains in poverty reduction, or increasing risk and vulnerability for poor and nearly poor households. With Vietnam’s planned accession to the AFTA and the World Trade Organization, these factors will become more pronounced, perhaps particularly in relation to rural commodity production. (Vietnam’s comparative advantage in the light industrial sector – chiefly the availability of labour, makes these sectors more robust). Some of the country’s main subsidized commodity cash crops and industries – such as sugar – are already of questionable economic sustainability and highly vulnerable to illegal imports. As noted by Action Aid (2001) with regard to the sugarcane industry in Thanh Hoa Province, regardless of the Government’s subsidized inputs and protectionist trade policy, the impact of trade shocks and smuggling on the sector is already strong. It is likely that with further trade liberalization many rural producers will face increasing vulnerability.

### **Domestic and donor perspectives on the contemporary policy debate: the Ninth Party Congress and the CPRGS**

The period since 1998 has been characterised by a particularly intensive round of policy debate and change in Vietnam, determined by an established political planning cycle. GoV invested a great deal of time and effort in formulating new five- and ten-year strategies and plans in the run-up to the Ninth Party Congress in 2001. During 2000 effort focussed on drafting the Ten-Year *Socio-Economic Development Strategy* (SEDS), which lays out the development vision for the coming decade. The actions required to translate this vision into reality are then described in the five year plan (2001-2005) and corresponding five-year plans and ten-year strategies for each sector. These plans were developed through broad consultation within the political system, with debates on strategy documents facilitated through Party and mass organisation structures.

This burst of activity in internal GoV policy debate coincided significantly but not perfectly with a similar intensity of policy analysis and reflection on the behalf of the donors operating in Vietnam. As the volume of aid and the number of international development agencies involved in delivering this aid expanded rapidly, there was increasing recognition towards the end of the 1990s that aid was having less of an impact than it could have. Although not on the scale seen in more aid dependent countries with weaker core Government capacities, there was evidence that the proliferation of donors and donor-supported projects created a number of inefficiencies and transaction costs. Weaker ministries found their best personnel drawn out of core functions (e.g. setting and implementing sector strategy) into

The response of the “donor community” to these problems evolved at two levels, with interactions between the two. In part the debate was conducted amongst donor offices within Vietnam, often through sectoral fora or at the CG meetings. In the late 1990s there was an explosion of Working Groups which sought (with varying degrees of success) to bring together Government, donor and NGO actors working in a given sectoral or thematic area to ensure a more coordinated and strategic deployment of resources<sup>12</sup>.

At the same time, however, the problems with project-based aid modalities and lack of donor coordination encountered in Vietnam were also observed (often in far worse forms) in many other countries, prompting many donor agencies to start debating solutions at an international level. Vietnam was thus asked – and agreed – to be a pilot country for the World Bank’s Comprehensive Development Framework (CDF). The CDF initiative was however superseded relatively soon by another IFI initiative – the Poverty Reduction Strategy Paper (PRSP) approach – which gave CDF principles more operational content, by stating that countries qualifying for HIPC debt relief (and later for all IFI loans) would have to complete a national strategy paper outlining a holistic, medium term Government plan for tackling poverty<sup>13</sup>. Although not a HIPC country, Vietnam volunteered to produce a PRSP. Drawing heavily on the strategies produced for the Ninth Party Congress, the Government produced an Interim PRSP in March 2001 and a full PRSP – titled the Comprehensive Poverty Reduction and Growth Strategy (CPRGS) – in May 2002<sup>14</sup>.

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<sup>12</sup> The most successful of these groups – the Poverty Working Group – provided well-designed support to the Government in conducting a major analysis of poverty in Vietnam, combining quantitative (VLSS) and qualitative (PPA) information (Poverty Working Group 1999, 2000).

<sup>13</sup> Internationally, the PRSP approach coalesced around a number of strands of thinking in different institutions (most notably the World Bank, the IMF, the US Treasury and the British Government), each of which was seeking a fix to a number of distinct problems (a growing critique of structural adjustment in general and the use of conditionality in particular, and the need to balance pressure for accelerated debt relief with efforts to ensure that such relief went into effective poverty reduction policies). Once adopted, however, the PRSP approach rapidly took on a life of its own, as the Bank and the IMF soon decided to make the production of a PRSP the criterion not merely for access to debt relief under HIPC II but for *all* concessional finance provided by the IFIs to low-income countries. A number of bilateral donors then stated that they would base their country programming around the recipient Government’s PRSP (where one existed), in part because they saw the PRSP as a potential solution to aid management problems of concern to them (i.e. weak Government ownership and lack of aid coordination).

<sup>14</sup> There are a number of studies of the PRSP process in Vietnam. See de Tray 2001; Wolff et al 2002; Norlund et al 2003; Conway 2003.

At least some of the sector-related poverty issues identified above have been addressed in the CPRGS. Health sector concerns – in the administration, affordability and access to services – were clearly raised from a number of quarters during the formulation process, and there are stronger commitments to tackling these issues in the final strategy document. It is notable, however, that the critically important issues with regard to increasingly differentiated access to land are, in general, only briefly alluded to or addressed in the CPRGS.

Another major area of concern lies in the institutional mechanisms for implementing the pro-poor policy actions set out in the CPRGS. The gap between policy statements and reality on the ground was, for instance, one of the clearest messages and causes for local concern that emerged from the community consultations on the draft CPRGS carried out in 2001 (Shanks and Turk 2002). Now that the CPRGS has been formally approved and adopted, efforts are underway to take the process down to province level and to link it to local socio-economic development planning processes. However, there is a danger that the CPRGS remains too heavily focused on policy and planning, while paying less attention to the critical institutional and practical difficulties involved in supporting local authorities so as to improve service delivery and the performance of projects and programs on the ground.

This has important implications for the way in which donor agencies work in Vietnam over the next few years. The CPRGS process is commended as a successful collaboration between Government and donors in order to map-out a more comprehensive poverty reduction agenda within the broader context of the Government's economic reforms. What is required now is to develop innovative mechanisms for linking policy with practice. This will involve in the first place helping Provincial and sub-Provincial levels of Government to draw on the policy framework of the CPRGS, adopting and developing those elements which are most appropriate to local needs, resources and opportunities; and, secondly, establishing monitoring, evaluation and review functions so that successful sub-national experiments with CPRGS implementation may be shared with other Provincial and sub-Provincial Governments, and with the centre.

## Future directions

As part of the process of analysis in support of the CPRGS, the Poverty Task Force commissioned research into likely macro trends in growth and poverty. Four different scenarios were identified and modelled.

**Table 1 Projecting trends in poverty reduction: four scenarios**

Scenario	Growth assumptions	Growth-equity assumptions	Poverty headcount in 2010 (32% in 2000)
1: Base case	5% p.a.	Growth patterns mirror those of 1990s	19%
2: High growth	7.5% p.a. to 2005; 7% p.a. to 2010	Growth patterns mirror those of 1990s	14%
3: Equal growth	5% p.a.	All regions and cities grow at equal rate	12%
4: Unequal growth	5% p.a.	SE and Red River Delta grow at same rate; Central Coast grows at half this rate; remaining regions grow at 20% of this rate	23%

*Source: Beard and Agrawal 2001*

Over recent years, it has seemed to external observers that the political leadership is deeply undecided about how far and how fast it wishes to proceed with political reform, and the degree to which it perceives this as necessary in order to achieve continued economic and social progress. Crises such as the 1997 regional economic crash or the protests that have dogged the Central Highlands since early 2001 are – it is thought – interpreted in fundamentally different ways within the Party: “reformists”, arguably, see them as evidence of the long-term need to open up politics to other actors in order to preserve legitimacy and stability and ensure that national capacities are fully mobilised, while “conservatives”, arguably, see them as indicative of the uncertainties and dangers inherent in liberalising, and as establishing a case for maintaining a tight rein upon the economy and society.

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

### **3 The Vietnamese state: political traditions, institutions and the changing nature of the regime**

This next chapter highlights some of the overall characteristics of the policy-making process in Vietnam. This includes the formal mechanism of policy formulation at national level and the diversity of actors and institutions involved; the importance of inter- and intra-sectoral linkages; the place of targeted and programmatic approaches; and the types of political and institutional factors that underlie the significant regional and provincial variations and adaptations of policies.

Developing any insight into the nature and influences on the policy-making process in Vietnam requires a solid understanding of the official institutions which provide the basis for policy-making. To do this we have separated this description (laid out in the first three sections) into details on the structure of Government (3.1), discussion of the role of the Party (3.2) and delineation of the formal policy-drafting procedures (3.3). However, the reality of the actual policy-making process and its outcomes is a much more complex situation of blurred boundaries between the executive, legislature and the party and shifting relationships between three. Despite changes and efforts to clarify the distinction between the Party and the state, the Party does remain central to the policy process, through both formal mechanisms - such as the role of CPV committees and its role in consultation - but also through features such as recruitment whereby Party membership may be significant. For those actors, such as donors, which are external to the process, these more opaque issues are harder to understand in any sophisticated manner, and harder to engage with. Section 3.4 discusses recent policy reforms (such as the reform of the National Assembly, the Public Administration Reform process and the local democracy legislation) which attempt to address problems of accountability and responsiveness, characteristics of the political system which have obvious important implications for the state's ability to address poverty. The final section of this chapter (3.5) provides a comment on the dynamic characteristics of the Vietnamese policy system and the way in which policies are developed through a complexity of horizontal and vertical interaction. It is argued by some that the dynamism and legitimacy of such "consensus governance" can easily be misinterpreted due to its tendency for being laborious and untransparent.

#### **3.1 The formal structure of State and Government**

The executive branch of the national Government of the Socialist Republic of Vietnam is effectively headed by a three-person collective leadership, comprised of the General Secretary of the Communist Party of Vietnam (CPV), Nong Duc Manh; the Prime Minister, Phan Van Khai; and the President, Tran Duc Luong. Important pronouncements by any one of these are vetted by the others – an aspect of the consensus approach to policy-making described in more detail below.

The President is elected by the National Assembly (NA) from amongst its members, and serves a five-year term. The President appoints the Prime Minister from among the members of the NA; the Prime Minister in turn appoints deputy Prime Ministers, once again drawn from the pool of NA members. The Prime Minister proposes a Cabinet, which is then appointed by the President, subject to the ratification of the

NA. Central Government is comprised of 17 Ministries, 5 Ministry-type organisations, and 26 other agencies (McCarty 2002:51).

The legislative – the unicameral National Assembly (*Quoc Hoi*) - is elected to a five year term by a popular vote based upon universal adult suffrage. The current National Assembly was elected in May 2002. In this election, 90% of the vote was won by CPV members. The remaining 10% of the vote – and 51 of the 498 seats – were won by candidates who were not CPV members, but whose candidacy was approved by the Fatherland Front (and thus, in effect, by the Party). The NA typically meets twice a year for ordinary sessions; it can also establish committees to help advise on new issues. The autonomy of the NA was increased somewhat in the 1992 Constitution, which sought to reform state structures based upon the principle that supreme state power needed to be concentrated solely upon the NA – while stating explicitly that there should be “close cooperation and coordination” between the Government and the CPV (McCarty 2002 p. 52). Observers remain divided regarding the degree of real independence enjoyed by the NA: while Ministers are sometimes given a rough ride before the Assembly, but issues important to the senior leadership are usually passed.

### Centre-local relations in the Vietnamese political tradition

Sub-national Government is administered through 61 Provinces and Municipalities, with Districts and Communes reporting to these. While the Commune remains the lowest level of the state, hamlets and villages are recognised as local representative units, and interact with the paid Government employees of the Commune administration. At each level in the hierarchies there exist elected People’s Councils (the legislative arm of local Government) and People’s Committees (the local executive, elected from within the People’s Council). In theory, the People’s Committee is under the jurisdiction of the People’s Council: in practice, observers both inside and outside the Party-state system have expressed concerns with the weakness of the People’s Councils (which have formal responsibility for formulating strategic plans, approving budgets and expenditures, and monitoring subordinate levels, but have until recently had no budget of their own) vis-à-vis the People’s Committees. The 1998 Grassroots Democracy Decree was one attempt at clarifying and strengthening the responsibilities of the People’s Councils, as were recent changes which have given the Councils increased budgetary powers. The influence of the Councils was however still limited by capacity constraints: a new law, scheduled for late 2003 or early 2004, is intended to further address these constraints.

The relations between these different levels and between the Government and Party structures are complex, with many officials holding positions simultaneously in two different spheres (e.g. the Provincial Party Secretary may also be the Chair of the People’s Council; or the Chair of the Provincial People’s Committee may be a member of the National Assembly). Communication and circulation of policy ideas between the Provinces and the Centre are maintained through a variety of institutional practices. These include annual meetings between the Provincial / Municipal Chairs and the Prime Minister; and considerable rotation of individuals between senior posts in central Ministries (e.g. Under-Secretary or even Vice-Minister) and senior posts in the Provinces (e.g. Party Secretary, Vice-Chairman of the People’s Committee, etc.). This helps not only to maintain a basic level of consistency and coherence in policy across Provinces, but also to provide Provinces

with a significant degree of input into the formulation of at least some aspects of national policy.

If the problem at the Commune level is that People's Council lacks the resources (both in terms of funds and skills) required to hold the People's Council accountable, the problem at District and Province level is slightly different. Under a system of "dual responsibility", the head of a provincial line department is in theory responsible both to the national ministry and provincial level officials. The danger with the dual accountability principle is that in practice in many cases neither the line structure nor the local authorities can exert effective supervision and control, resulting in a lack of real accountability to either, and local Government departments that exist as 'self-contained bureaucratic empires' (Painter 2002:18). The system of dual responsibility can exercise a strong influence upon administrative behaviour in the lower levels of the system, concentrating power in the People's Committees, and particularly in the post of the People's Committee Chair<sup>15</sup>.

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

Thus, as in most countries, it is very hard accurately to describe Vietnam as either clearly centralised or clearly decentralised in nature. In formal terms, authority is centralised; in practice, Provinces enjoy much discretion in the implementation of policies and allocation of state resources (McCarty 2002 p. 65; interviews)<sup>16</sup>. The degree to which policy-making has been centralised has varied over time, being closely related to the ebb and flow of national political change (see Box 2).

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<sup>15</sup> When accountability is established, it is more likely to be to local rather than central structures. Staff at the district and provincial levels are usually appointed by local authorities and are therefore more inclined to regard themselves as accountable to these authorities than to their line ministries in Hanoi, reducing the influence of central ministries. This autonomy is perpetuated by the fact that the province is responsible for recruitment and there is no nation-wide career structure. The Commune is, as mentioned already, a special case: professional posts for ministries end at the district level, so communal cadres will each hold a number of portfolios and are not attached to line ministries.

<sup>16</sup> : An alternative view has been put by some: an analysis of budget process in the education sector (Duc et al.,1999) pointed out that initiatives at the provincial and district level are restricted by the nature of local government system and vertical line ministerial management.

### **Box 2 Centre-Province dynamics and the politics of economic liberalisation**

Vietnam at reunification was highly decentralised. This was in part a legacy of an administrative system focussed on military zones within which commanders were of necessity granted a high degree of autonomy, and in part a pragmatic response to devastated infrastructure which made movement and communication difficult. From 1976, there was an effort to centralise policy-making (reflecting both the effort to consolidate authority and the ascendance of leaders with a hard-line ideological commitment to a command economy). Reformers at the Eighth Party Congress in 1986 apportioned much of the blame for economic failure on this over-centralisation: decentralisation was thus a major component of Nguyen Van Linh's *doi moi* reforms. There were both political and economic reasons for decentralisation. To overcome resistance to reform within the central bureaucracy and the central CPV apparatus, Nguyen Van Linh drew in reformist officials from the provinces to replace conservatives in the central leadership. Provincial power then expanded over the early 1990s to a stage where it alarmed both conservatives and reformists. With an autonomy born of economic growth, the provinces asserted their authority (successfully resisting, for example, moves by the centre to assume control over Provincial appointments and sackings). The response of the centre was to increase the number of Provinces and Municipalities (from 40 to 61), making many Provinces smaller and thus less individually powerful. With economic slowdown at the end of the decade, however, the provinces reasserted themselves once more, significantly strengthened by now by the much increased representation of Provincial officials in the Central Committee (37% in the Ninth Congress in 2001, compared to just 15.6% in the Fifth Congress in 1982). In 2001, these Provincial representatives were decisive in channelling popular dissatisfaction with the handling of the economy and replacing Le Kha Phieu with the reformist Nong Duc Manh. While it is a mistake to assume that all Provincial leaders are ideologically predisposed to be reformists, they have a keen interest in ensuring economic growth and increasing scope to act in the interests of their Provinces. This has made them an important mechanism for the transmission of pro-reform pressures. (Sources: *Stern* 1993; *Abuzza* 2002: 130-4)

Discerning contemporary trends in the balance of power between centre and Provinces (and between Provinces and sub-Provincial levels) is however difficult, as specific policy reforms may pull in different directions from economic change, and from each other<sup>17</sup>. The 1989 and 1994 Local Government Ordinances reduced the numbers of administrative units and size of the People's Committees and placed them more under the power of the central Government. Legislation during the first part of the 1990s concentrated on establishing the legal foundation for the state administrative apparatus, and for centre–local Government relations (for instance through the revised Constitution of 1992; the Law on the Organization of Government of 1992; the Law on the State Budget of 1996; and the Law on State Owned Enterprises of 1996), and radically transformed the relationships between the centre and sub-national levels. The 1996 Budget Law has increased the role of

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<sup>17</sup> Nguyen Khac Hung (1999) provides a useful summary of particular constraints relating to centre–local relations. These include the number of levels in the administration (inherited from the war); the perceived distance of the people from the Government; lack of clarity in the allocation of “control and supervision” roles between the legislative and executive wings of Government; the situation whereby the accountability of the Province Peoples Committees is split between the national Government and the Province People’s Councils; and hesitation over the pace and extent of decentralisation to local Government levels.

the provincial Government in terms of the management and regulation of infrastructure, socio-economic development plans and co-ordination of the sectors (Fritzen 2002: 4). There have also been increases in the budgets of the Provinces and their powers to reallocate budgets and to select contractors, all of which has helped to increase the autonomy of the provincial Government. Where implemented, the Grassroots Democracy Decree may have complex effects. The main promise of the Decree is that it will democratise local (Commune) Government, by making the Commune People's Committees more accountable to the directly elected People's Council and the local population. In doing so, it may also contribute to exercising constraint from below on the power of the Provinces and Districts. However, McCarty argues that while the transition in policy-making has allowed sub-national levels of Government to claim more powers, public administration reform and the move to the rule of law will in the long term re-centralise many Government functions (McCarty 2001).

### **3.2 The Party and the state**

#### **Political traditions and legitimacy**

The Communist Party is the only party allowed to participate in Vietnamese politics. In the north in particular, it retains considerable legitimacy as the heir of a nationalist tradition, and through an ideological commitment to the welfare of the masses, manifested in practical terms as a broad-based growth policy and the provision of basic social services (Kerkvliet et al 1998 pp. 3-4). This legitimacy is however considerably tempered by the more equivocal reality; in which good cadre co-exist with corrupt or ineffective cadre.

The political legitimacy of the Vietnamese political system has both changed over time and at any one time varied between different parts of the country. There are persistent regional differences in the level - and more importantly the sources - of the legitimacy enjoyed by the CPV. These differences can be traced both to long-run historical contrasts in socio-political organisation seen in the north and south (differences that are arguably shaped by agro-ecological conditions and population density: Fitzgerald 1972; Jamieson 1993); and, more directly, to the more recent history of the division of the Vietnamese nation into a capitalist south and a socialist north for two decades during the Cold War (see Box 3). Thus, there is some basis to the claim that the legitimacy of the state and the leading role of the Party in Vietnam has been sustained by the degree to which it has resonated with aspects of pre-revolutionary, Confucian-influenced political traditions; but, beyond a certain level of generalisation, it is not clear that there is one political tradition or a singular process of the development of state legitimacy that is shared by all Vietnamese (Vasavakul 1995; Marr 1981)<sup>18</sup>. Detailed analysis suggests that subtle but important differences in political values and expectations co-exist within Vietnamese society and caution against broad generalisations about the nature of political tradition.

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<sup>18</sup> This difference in political traditions is also brought out in a comparison of Scott (1976) and Popkin (1979), who reached very different conclusions regarding peasant ethics as a result of working in different areas of the country.

### **Box 3 The geography of legitimacy: regional variations in political tradition**

The main areas of population concentration, the Red River Delta in the north and the Mekong Delta in the south, are distinguished by sharply contrasting ecological conditions and historical experiences. Jamieson (1993) argues that such variations have been important in shaping the differences in language and cultural and social organisation between the two regions. Popular opinion frequently refers to the existence of a 'southern mentality' which, it is suggested, has developed partly as a result of the comparatively mild climate and the fertility of the land (Huu Ngoc, 1998). However, to place the blame for resistance to collectivisation in the south on 'southern individualism' alone is to ignore the intense class struggles and the nature of the capitalist transformation in the south. Above all the north and south underwent distinct experiences of revolution; while the revolution in the south was essentially a mass-based struggle; the northern revolution was influenced by the middle and richer peasants (Wiegersma, 1988). By 1975 the north had undergone more than two decades of socialist transformation: the south by contrast was operating under a dependent form of capitalism, with social and economic life in the Mekong Delta profoundly shaped by war, American intervention and the introduction of new rice technologies dependent on expensive high-input methods of agriculture (Porter, 1993). Following reunification in 1975, the south was further transformed through intense social upheaval, in which it is estimated that four million people moved from one place to another (Fraser, 1985). Collectivisation was not well received in the south and by 1980 only thirty per cent of the area had been placed under the co-operative system (Wiegersma, 1998).

There are also long-run secular changes in the way in which the population judges the legitimacy of the regime. Prior to 1975 the ideology of nationalism was used by the CPV to legitimise its struggle for unification. With reunification, the legitimacy of the regime therefore came to rely increasingly upon perceptions of its performance in terms of national development: poor economic performance, which undermined the Communist Party's claims to moral and intellectual superiority, resulted in a crisis of legitimacy (Alagappa, 1995:324). It is also important to acknowledge that political legitimacy cannot be entirely insulated from international currents: reform in other socialist countries in the late 1980s further challenged the ideological basis of the political system, with the collapse of Eastern Europe followed by calls from many leaders for mass participation in the political process to avoid revolution (Vasavakul, 1995: 278, 287). In an attempt to recapture legitimacy, the CPV made *doi moi* and its associated policies of economic renovation central to state policy. Over time, current policy performance rather than historical nationalist credentials have become increasingly important in the equation that determines popular perceptions of legitimacy: Abuza argues that "People began to link the regime's legitimacy to economic performance and, importantly, their own standard of living. Political legitimacy was no longer rooted in the national struggle, but in economic growth and poverty eradication". The passage of time and an increasingly youthful population reinforce this trend: for the half of the population that in 1999 was aged under 30, and therefore had no personal experience of the struggle for reunification or the contribution to that effort made by the increasingly elderly senior leadership in that struggle, issues of policy outcomes are more important than war record (Abuza 2002: 127).

In addition to dramatic policy changes in the pursuit of socio-economic development, the Party's effort to renew legitimacy included moves to revitalise the

Communist Party apparatus and to improve the standing of other political institutions such as the National Assembly and the mass organisations. The adoption of *doi moi* signalled the CPV's reliance upon a political process which drew in a broader range of institutions. This policy arguably enjoyed a reasonable degree of success in restoring the fundamental legitimacy of one party rule. However, since 1997 Vietnam has suffered from public disturbances, such as those in Thai Binh and the Central Highlands, and from a fall in foreign investment and economic growth. Both these factors have once again threatened the 'performance legitimacy' of the government. (Thayer, 1998). The continuing fundamental tension between the open economic system and the conservative political system remains a dilemma for the Communist Party.

### Legitimacy and authority: the changing relationship between Party and state

Dang Phong and Beresford (1998) describe the history of independent Vietnam as falling into three periods, characterised by changing relationships between the Party, Government and National Assembly. In the interests of reconciliation, and driven by a need to consolidate both domestic and international support and to make use of experts and intellectuals from outside the Party, the first period (between 1945 and 1954) saw the Party adopt a relatively limited and distinct role, accepting non-Party members throughout much of the Government. During the second period (1954-1986), pressure from the USSR and China (and the need for strong central direction of the war for reunification) led the Party to increasingly colonise the machinery of Government and to emphasise central planning and state ownership of the means of production. Party committees took the lead in drafting policies, and the National Assembly was reduced to a rubber-stamp function. The third period, from 1986, reflected recognition of the limitations of central planning and the need for a process of "statisation": that is, the gradual retreat of the Party from direct control over state affairs, rule by law, increased autonomy and power for the Government and National Assembly, and greater separation of legislative and executive functions.

Although the relationship between Party, state and Government has changed and continues to change, the Party does still remain central to the policy process. In 2000 the Party had approximately 2.3 million members, but there are concerns about decreasing levels of membership. The governing principle of 'democratic centralism' under the top-down decision-making process of CPV is laid down in the 1992 constitution (Article 6) and the Resolution of the 7<sup>th</sup> Party Congress which state that centralism depends on the Party's supervision of macro-economic decisions. The 1992 constitution represented a modest downgrading of the role of the CPV in relation to the 1980 constitution: nonetheless, the Party remains by far the most important force in Vietnamese politics, with the Government, the military and the bureaucracy effectively subordinate to its guidance. The Party's strategic leadership body – the Politburo, currently comprised of 18 members – is elected by the 150-member Central Committee at national Party congresses (held approximately every five years), and largely sets Government policy<sup>19</sup>.

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<sup>19</sup> The declaration on the Party Status of the CPV, passed by the Ninth Party National Congress in April 2001, describes the Politburo as "the leading and controlling agency" of the Party, while the Secretariat of the Central Committee is the "leading organ for the daily Party operations" (Le Dang Doanh, personal communication).

The overlap between Party and State remains pronounced. The top political figures – notably the Party General Secretary, the Prime Minister, the President, the Chairman of the National Assembly and the Standing Member of the Politburo – are all Party members and involved in Politburo discussions about strategic decisions. Koh (2001b: 300) refers to the ‘party-state’ as the national ruling organization in Vietnam and points out that as the state is controlled by the CPV it is meaningless to distinguish between the two. Painter (2002: 9) claims that

the existence of regular and accountable mechanisms of control and coordination is, however, alien to many ingrained practices of Vietnamese Government. This is shown by the continued role of the party which results in a duplication of function and lack of clear hierarchy, unclear division of functions, unclear accountability, and opaqueness.

About 90% of National Assembly deputies are Party members, while almost all of the 21 Cabinet ministers are members of the Party Central Committee. Party *ban can su* (Working Committees) within each ministry report to the Politburo and Secretariat, keeping the Party informed on Government decisions and the implementation of policy. The CPV also has ten specialised committees working with the Government sector<sup>20</sup>: other high-level Government committees and working parties considering major policy issues include formal representation of members and officials of the Party. The CPV is therefore diffused throughout the state: it is formerly consulted in most cases and always informally consulted.

The party also controls many of the activities of local Government, from recruitment to training. Koh suggests that the way in which the bureaucracy and party-state choose the chief executives of the local administration and the way in which local People's Council elections can be used to ‘rubber stamp’ these choices allows them to abuse their power (2001b: 284). Attempts to separate the party, Government and National Assembly at the centre have therefore not been so successful at the commune levels. Here the Party cell controls the activities of the People's Council and nominates the candidates for the election of the People's Council before they are submitted the villagers. Many cadres have positions in the Party, People's Council and People's Committee and the chief of the party cell at commune is the deputy chair of People's Committee and vice versa. At the end of a mandate cadres often arrange to swap positions thus evading limits on the lengths of mandates (Thi Thu Trang, 2002: 17). However, Kerkvliet (2001) points out that the elections are often contested and sometimes favoured candidates are rejected.

Efforts to establish a Party presence in private enterprises have had limited success; but the fact that managers or deputy managers of state-owned enterprises often double as Party secretaries helps to explain the slow process of reform in the SOE sector (McCarty 2002; Economist 2002). With the increasing power of the National Assembly and the Government, and a growing separation of Party and State the direct intervention of the Party in the state and the staffing of state bodies has been reduced (Dang Phuong and Beresford, 1998:85-86). This has been also partly due to

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<sup>20</sup> The Office of the Central Committee, the Central Committee for Internal Political Security; Central Economic Committee; Central Committee for Internal Affairs; Central Science and Education Committee; Committee on Culture and Ideology; Central Committee for External Affairs; Central Control Commission; Central Financial Management Committee; and the Central Committee for Popular Mobilisation.

the increasing role of the private sector and the way in which economic management is no longer carried out purely by state directives but also by incentives and sanctions.

Within the context of current reform there are conflicting directions between those who want political control of the Party and those who want technical rational administrative control. Abuza (2002) characterises the Vietnam leadership as riddled with factional generational, regional, ethnic and ideological disputes and provincial-centre alliances. Painter (2002:10) however suggests it is not really a battle between well-defined blocs but rather ‘evolving debate and temporary settlements among shifting and diffuse groups in the Party’, and others stress the ‘continuous juggling of issues and outcomes to resolve conflicts between different groups’ (Koh, 2001).

The Party’s authority is reinforced through the hierarchies of the Party-affiliated mass organisations, such as the Women’s Union, which are clustered under the umbrella of the Fatherland Front<sup>21</sup>. Although mass organisations are often cited as examples of collective action the Fatherland Front is in fact a socio-political organization clearly under the control of the CPV. The Fatherland Front is responsible for the negotiation, organisation and propaganda of the commune People's Councils elections and all political members are introduced by the Fatherland Front for selection by the National Assembly and voting on to the People's Council. These organisations play a significant role in policy formation and implementation and feedback from the grassroots, especially in sectoral matters.

The role of the state may have been diminished in the transition from a centralised economy to a market economy but that of the CPV remains. The very ‘strength of the party might be its responsiveness to political dissatisfaction at the grassroots level’ (Norlund, 2003: 23).

### **3.3 The processes of policy formulation**

The stages involved in policy formulation in Vietnam have been described and mapped out by Vu Hoang Cong (2001) and McCarty (2002)<sup>22</sup>. An overview of this process, as summarised in these papers on the basis of official sources, is given in Figure 2. Key policy issues are identified and overall directions are set largely by Party agencies (the Congress, Central Committee and Political Bureau)<sup>23</sup> – although the CPV is of course responding to signals and proposals from a wide variety of stakeholders. In each five-year legislative period, the key Government documents – the Resolutions of the Party National Congress, prepared over the two or three years preceding the Congress by the drafting committees of the Central Committee – set

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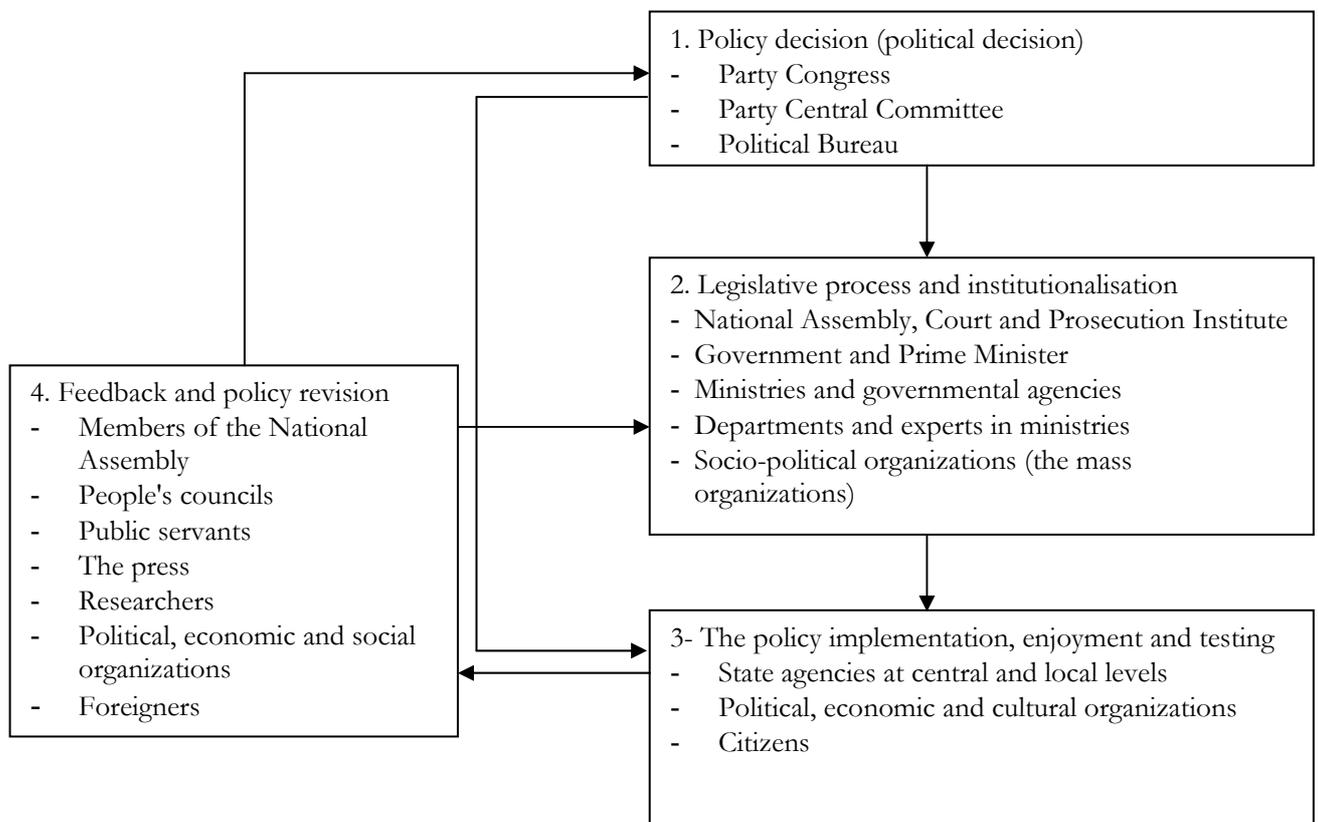
<sup>21</sup> The Fatherland Front is made up of 250 individuals and 31 member mass organisations of which the main organisations are the Vietnam Motherland Battle front, Vietnam General Labour Union, Vietnam Farmer’s Union, Vietnam Women’s Union, the Ho Chi Minh Youth Communist Party Union and the Vietnam Veterans Union.

<sup>22</sup> These papers provide detailed examples of the steps involved in the proposal, formulation and promulgation of a number of laws and decrees, as well identifying the tasks and responsibilities of the different agencies involved.

<sup>23</sup> Paragraph 41 on the Party Status, passed by the Ninth Party Congress, enumerates the ways in which the Party is to exercise its leadership role. Paragraph 41.3 enjoins Party members and organisations to “strictly fulfill all resolutions, directives of the Party; concretize these into legal regulations of the state or resolutions of the organisations and implement them” (Le Dang Doanh, personal communication).

the framework for policy directions (in the form of *Resolutions* and *Instructions*) which are presented to and given legal form through the workings of the National Assembly which authorizes the framework for the drafting of legislative documents by the Government, as well as passing major legislation (in the form of *Laws*, and *Resolutions* and *Decrees* issued through the NA Standing Committee). National Assembly members and judiciary agencies also have the right to submit draft laws and decrees, and the National Assembly has at its disposal a number of special committees that have the role of examining draft legislation and advising on their content.

**Figure 1 The policy formulation process at the national level**



Source: McCarty 2002, adapted from Cong (2001)

Through the Prime Minister (who has a major role in carrying the policy formulation process forward), the Government has the responsibility for guiding policy-making agencies and the drafting of legislative documents as assigned to the sector Ministers and functional departments of the ministries. The drafting of legislation involves i) advice and consultation with ministries and local departments and ii) the establishment of a committee of editors (mostly experts from ministries and other state bodies) for the drafting and criteria setting of the legislation. Pursuant to ratification by the National Assembly, the Government and Prime Minister will then issue *Decrees*, *Decisions* and *Instructions*, and the sector Ministers issue specific *Decisions*

and *Circulars* to put them into action. At this stage of rolling-out policies, a critically important form of follow-up legislation is through *Inter-ministerial Circulars* that give detail, for instance, to the planning guidelines and financing strategies (hence it is at this stage that cross-sector ministries such as the Ministry of Planning and Investment, the Ministry of Finance and the Ministry of Justice become crucial players in the interpretation of policies). Moreover, all major areas of new legislation made at national level are subject to further ratification at sub-national level with new decisions made by the Provincial Peoples Councils and/or Municipal / Provincial Peoples Committees.

The large number of stages involved, and the iterative nature of policy-making (which evolves over time through policy amendments and revisions), results in a large amount of published legislation - and an even larger amount of unpublished guidelines - that Government leaders and planners need to track in order to keep abreast of the situation. Furthermore, the real impact of new legislation usually does not lie in the overall or original policy statement, but in these follow-up guidelines and instructions.

The Vietnam Development Report (World Bank 2003: 78) reports that there are no formal and regular means in which those affected by laws and regulations can participate in the law-making process and that, until now, transparency and enabling people to make informed choices has not been seen as an important part of the legislation drafting process. Discussions with the Fatherland Front, however, suggest that the recent 2002 revisions to the Law on the Promulgation of Legal Documents have strengthened the consultation process which requires public participation in the process of legislation drafting and public awareness of legislation (interviews, February 2003). Various public consultation processes are carried out involving firstly consultation with the Council for Consultancy (which includes for example the Council for Democracy and Law)<sup>24</sup>, the Council for Ethnic Minorities, Council for Culture and Society, Council for Economy and other representative bodies and secondly a consultation process carried out by the Fatherland Front.

### **3.4 Streamlining of transparency and accountability mechanisms: recent policy reforms**

The period since 1998 has been a particularly active period of policy-making in Vietnam, linked to the 10-year socio-economic development planning cycle and combined with a set of broader reform measures. In an increasingly open economy, responsiveness and accountability are vital for the legitimacy of the Party-State. Painter suggests that such legitimacy depends on the success of the state in regularity and fair process such as transparent systems of revenue collection, the adequate provision of public goods and the effective regulation of market failures with damaging social consequences<sup>25</sup>. Many of the recent and on-going policy changes discussed below, such as reform of the National Assembly, the Public Administration Reform and the Local Democracy legislation can be seen in this light.

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<sup>24</sup> The Council for Democracy and Law is a mass organisation, independent of the Fatherland Front, consisting of independent lawyers (many of whom belong to the Association for the Lawyers of Vietnam). The role of the Council is to develop and supervise laws and regulations.

<sup>25</sup> Many in Vietnam also identify the legally-enshrined secretiveness of the state system as an obstacle to the development of internet and e-commerce capabilities.

Arguably, taken together, these recent policy initiatives represent an important 'second round' of reforms, and evident moves to strengthen political leadership in the process.

- The 1992 constitution aimed to increase the oversight powers of the NA and emphasised the processes by which state authorities are supervised. More recent initiatives have strengthened and raised the quality and efficiency of the legislative and supervisory powers and the responsibilities of the elected National Assembly and the Peoples Councils at province, city, district and commune/ward levels. The increased budgetary powers of the National Assembly have resulted in real powers in scrutinizing and approving expenditure estimates and the NA is taking its independent and questioning and oversight roles more seriously. For example, since 1994 the prime-minister asked some Government ministers not to run for National Assembly to avoid an overlap of roles. The reforms have resulted in the increased professionalisation and specialisation of the members of the National Assembly and debates in the NA are increasingly open and often very pertinent benefiting from the input of an articulate 'younger' group of members. There are 330 new members since the recent reorganisation and reform of qualification requirements, and 125 of 500 representatives are now full time and salaried (Painter, 2002:10).
- The ambitious Programme on State Administrative Reform (2001 to 2010) represents an attempt to address the systemic constraints arising from, and having an impact on, the reform process. As noted in Decision No.136 of the Prime Minister (2001) which approved the Program on State Administrative Reform for the period 2001-2010, the administrative reforms carried out over the last ten years contributed significantly to the socio-economic renovation and development:

...the State administration remains deeply imprinted with the trace of the mechanism of centralized, bureaucratic and subsidized management and is unable to meet the requirements of the new management mechanism as well as the requirements of servicing the people under the new conditions.

The 1992 constitution clarified the areas of control of the state executive by introducing clearer lines of accountability and emphasising the notion of the 'rule by law' in state affairs. The Law on the Organisation of People's Committees and People's Council, 1994 has provided more transparency in the application and enforcement of decisions by clarifying the power and responsibilities of the People's Council and People's Committee at different levels. The overall stated objective is to build 'a democratic, clean, strong, professionalized, modern, effective and efficient public administration system that operates in line with the principle of the socialist state ruled-by-law under the leadership of the Party' (see Box 4).

The establishment of 'One Stop Shops' in public administration institutions and the requirement that any fees for procedure should be made public are other concrete example of attempts to improve service delivery and increase transparency. Other reforms encouraging transparency include the open publication of policies and the decisions of courts and tribunals and the requirement that every candidate for the local Government elections should

publish their CV and the requirement for communes to publish their annual budgets in an accessible manner. The Public Administration Reform process stresses the role of public opinion surveys for making important decisions and policies, public referendum and the handling of illegal acts of public institutions and civil servants while discharging public duties and administrative institutions and courts to deal with complaints lodged by people (GoV, 2001). There is also recognition within Government about the costs of the current model of policy-making and implementation. Denmark and the UK are supporting a small team within the Office of the Government (OOG), helping it to acquire a more streamlined but more effective role, as something akin to a Cabinet Office.

The PAR has become a contested arena in the definition of the structure of decision-making. It is speculated by some that the PAR will undermine the formal and informal authority of the Party (McCarty, 2002:60) whilst Vasavakul (2002:2) sees the PAR as a reaction of the CPV to the fragmentation of the state motivated by the aim of re-establishing its hierarchies of authority lost to middle level cadre through the decentralization and devolution processes. The Party's Central Organisation' Committee will play a key role in the administrative reform process but the role of the Party is mostly in recruitment and discipline rather than in the overall programme of the PAR.

**Box 4 Specific objectives of the Programme on Public Administration Reform for the period 2001-2010**

- Efforts will be made to build and gradually perfect the system of administrative legal institutions as well as mechanisms and policies which are appropriate to the period of national modernization and industrialization, especially economic institutions and those related to organization and operation of the administrative system.
- The administrative procedures, which are bureaucratic, cumbersome and troublesome to business and people, will be fundamentally abolished; new administrative procedures, which are transparent, simple and convenient to people will be developed.
- Institutions in the public administration system will be assigned functions, tasks, authorities and responsibilities, which are clearly defined and appropriate. A number of activities and public services, which are not necessary to be handled by Government agencies, should be transferred to enterprises, social organisations, private organisations and non-Governmental organisations.
- The organisational structure of the Government will be rationally streamlined according to the principle that ministries will be organizationally cross-sectoral and multi-disciplinary and whose functions will be focusing on macro-management of the society by laws, policies, and guidelines as well as monitoring and supervising their implementation.
- By the year 2005, new key regulations on decentralisation of administrative management between the central and local levels, and between the different levels of local authorities will have been developed and put into operation. The functions, tasks and authorities and organizational structures of urban and rural administration will be clearly defined.
- By the year 2010 the contingent of cadres and civil servants will have a reasonable size, possess professional qualities and be modernized. They will have adequate qualities and qualifications to discharge their public duties and be dedicated to serve the cause of national development and people.
- By the year 2005, fundamental reform will have been undertaken with regard to the salary of cadres and civil servants, so that these will become the main driving force for

the civil service system and be adequate to maintain their life and the life of their families.

- By the year 2005, the financial mechanism will have been reformed suitable for administrative agencies and public service delivery agencies.
  - The administration system will be substantially modernized. Administrative agencies will be provided with modern equipment able to serve timely and smoothly state management requirements. A complete computerized Management Information System of Government will have been put into operation.
- 
- The legislation on Local Democracy (from 1998 onwards) aimed to increase the accountability of local Government authorities and executive agencies to the people. This legislation also sets out the supervisory role that local people should have, through their elected representatives, on the workings of the local Government authorities. The Grassroots Democracy Decree (Decree No. 29), which has accompanied attempts to decentralize and give local authorities more decision making powers in relation to other intermediary levels of Government, promotes the rights of citizens to be informed, to participate in decision making process and to supervise the performance of cadres. The Grassroots Democracy Decree will have complex effects: by both democratising and empowering the Communes and the possible erosion of the power of the Provinces and Districts from below.

Others have been less positive about the effects the GDD. A study by HCMC political academy found that the Grassroots Democracy Decree had brought little change due to lack of capacity, inadequate remuneration and the undemocratic process of selection (Nguyen Van Sau and Ho Van Thong, 2001: 10-11). The enforcement of standards and rules are variable and rely very much on the good will of the local authorities whose interest is often to maintain their own political power. In this sense it has been suggested that the Grassroots Democracy Decree could actually facilitate the manipulation of the information and decision making process by cadres (Thi Thu Trang, 2002:6).

The village meeting and public fora are promoted as an effective means of information dissemination and consultation allowing villagers to participate in decision-making. From research carried out in a village in Hoa Binh Province, Tran Thi Thu Trang (2002:6) noted that 'although village and communal leaders claim that they have organized village meetings to inform peasants about Decree 29, most villagers cannot remember the meeting, even less the Decree itself'. Cadres have ample opportunity to influence decisions by manipulating information, a point also acknowledged the director of the HEPR in our meeting with him (February, 2003). In addition there is a problem of cadres exerting influence through their familiarity with formal procedures. As Thi Thu Trang (2002:10) writes 'during a hamlet meeting for instance, a person wanted to complain about the forest land allocation policy, but was told by local cadres that such issues has already been discussed in the village meeting that took place earlier, and could therefore not be brought up again.' People feel less at ease to express themselves in the larger commune meetings. Unequal power relations between the cadres and villagers remain a barrier and village meetings often exclude the poor who are trapped in the unequal power structure of the village. Others point out that accountability structures may focus on accountability to elites rather than to the 'poor' and that often village leaders feel more accountable to the leading group and the party in the village than to the poorer members (Jorgensen, 2001:25).

Prospects for the Grassroots Democracy Decree to improve the accountability relationships may therefore be limited but there is scope for reinforcing progressive leadership as an ideal against which poorly performing leadership could be held accountable. Fritzen (2002: 18) points out that due to the localized nature of the reform process strong social organization does exist in some parts of the country and if this is combined with support for administrative decentralisation, the Grassroots Democracy Decree could be an important engine for change, even within poor provinces.

As broadly conceived and put together, therefore, the current reforms can be seen as a drive to improve the performance of the State by clarifying the roles and relationships between the political, legislative, state management and executive wings of Government both horizontally and vertically; while at the same time redressing the balance of power between the legislature and the Government bodies in particular.

### **3.5 Consensus governance**

A defining characteristic of the political system in Vietnam is the way in which policies and decisions are arrived at through complex processes of vertical and horizontal consensus building (McCarty 2000). Reference is still often made to Vietnam being a highly centralized or command economy. As compared with many countries there is a deep and capable bureaucracy with strong vertically integrated planning systems reaching down to commune level. Yet, at the same time, there is an important inter-play between these vertical lines of authority, and the strong horizontal mechanisms of policy guidance, instruction and accountability that exist between the Party, the legislature (National Assembly and Peoples Councils), the state management bodies (Government and Peoples Committees) and the executive (Ministries and Departments) at all levels.

The horizontal – vertical consensus building process is central to the political thinking that lies behind the on-going reform process. For instance, the rationale given for the accelerated administrative reforms in the Socio-economic Development Strategy for 2001-2010<sup>26</sup> includes the following statements:

‘To strongly decentralize powers within the administrative system coupled with raising the centrality and uniformity in promulgating institutions. To clearly define the responsibilities and powers of each level, organisation and individuals’,

as well as to

‘...separate out the public authority administrative agencies from public service delivery organizations’, while at the same time ‘...renewing the institutional formulation modes and processes, improve the coordination among related sectors and levels, treasure the use of cross-sectoral specialists and reserve a very important role for the voice of the people and enterprises.’

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<sup>26</sup> The CPV Central Committees Political Report to the 9<sup>th</sup> National Party Congress and the 2001 – 2010 Socio-economic Development Strategy.

In this situation, it is important to avoid applying simplistic conceptions of top down or bottom up policy-making and planning systems. Vietnamese officials in general decline to speak of systems as being one or the other, in recognition that policy-making consists of a multifaceted process of negotiation between levels and spheres of Government, and the progressive clarification of broadly conceived policy frameworks and directives into locally specified planning recommendations and provisions. This underlies the capacity and legitimacy given to the provincial Government authorities to adapt national policies, which results in the high degree of local iteration and diversity of policy interpretations and outcomes on the ground.

The form that democratic institutions should take in the socialist oriented market economy under the unifying influence of the Party is stressed in the Local Democracy legislation. Nguyen Van Sau and Ho Van Thong (2001), distinguish this form of democratic management from that of the traditional community in Vietnam on the one hand, and from capitalist democracy on the other, in the following terms:

- The model of democratic self-management in the traditional Viet villages was based on the principle of the legislative, executive and judicial functions and bodies existing in the same sphere;
- The model of capitalist democracy is based on the principle of separating the legislative, executive and judicial functions through independent bodies;
- The model of socialist democracy that we have at the moment should be based on the principle of the legislative, executive and judicial functions carried out by independent bodies in the same sphere.

This conceptualization of independent bodies operating within the same sphere but having distinct functions, provides good insight into the way in which the various branches of the State interact, and how horizontal influences are brought to bear on the policy-making process. A further perspective that is put on this in many Party statements is the temporal perspective. As noted in the Political Report presented to the 9<sup>th</sup> Party Congress in 1990:

‘To build socialism bypassing the capitalist regime, thus engendering a qualitative change in all fields of society, is a very difficult and complicated undertaking that inevitably requires a long period of transition with many transitional stages and forms of socio-economic organisation.

It goes on to note that:

‘In various aspects of social life, the new and the old are interwoven and struggling with each other’, and that ‘in the period of transition, there are many forms of ownership of the means of production, many different economic sectors, social classes and strata, but the structures, characters and positions of the classes in our society have changed markedly along with the great socio-economic changes.’

Now as in the past, the CPV struggles to cope with these diversifying institutional and economic management processes, and the implications of this for different sections of society, by closely tying the development of an equitable, democratic and civilised society to national unity and co-operation. Norlund (2003: 24) has

suggested that the blurred division between the administration and the Party results in “consensus governance” where discussions and agreement have to take place at all levels before a decision can be made. This may appear to be an untransparent and laborious system, but is, she suggests, in many senses, democratic.

## 4. Participation and representation: channels for state-society interaction in the policy process

This chapter examines the difficult issue of how the Vietnamese state interacts with the society it governs. It begins by mapping out the issues, following the work of Kerkvliet in laying out three broad theoretical perspectives on the nature of interaction between the state and society in Vietnam. The first two of these perspectives depict the Party-state as enjoying a virtual monopoly upon power (and as a result tend to depict the state as unaccountable and unresponsive to social preferences): the third perspective by contrast suggests that the power of the state is not limitless, and that it is ultimately accountable and responsive to popular opinion which, expressed through both official and unofficial channels, has at various points over recent decades proved decisive in bringing about policy change (4.1).

The next section (4.2) analyses the official and legitimised points of institutional contact between society and the state: the quasi-autonomous mass organisations under the umbrella structure of the Fatherland Front, and the numerous formal channels for holding officials to account and seeking redress in the case of abuse. In both cases, it is emphasised that there have been important and deliberate changes over the course of the 1990s, as the political leadership has sought to adapt institutions, originally designed to serve top-down functions of social mobilisation, to the changing needs of the reform process.

The next section (4.3) returns to the theme of informal modes of communication and interaction between society and the state, analysing the role of these forms of interaction in shaping policy outcomes and, eventually, in influencing subsequent rounds of policy-making. It does this by looking at cases in which either undeclared, persistent “everyday resistance” or occasional open protest has led the state to respond with policy changes. It makes the important point that the policy changes brought about by resistance to state rules by non-state actors are *a priori* politically neutral in terms of the core interest of this study: that is, in some circumstance resistance-led policy changes are pro-poor in effect, in some cases they are anti-poor, and in some cases they may be ambiguous.

The final section of the chapter (4.4) examines three broad spheres of social and economic life – namely, the media, communications and popular culture; civic associations not affiliated with the Party; and the private sector – which do not fit easily into either of the previous categories. In both spheres, there exist organisational channels which are, like the mass organisations, in general terms under the direction of the Party-state (e.g. the official media, and the Vietnam Chamber of Commerce and Industry). All three spheres, however, also contain elements (e.g. the internet, or the unofficial lobbying activities of businesses) which exercise imperfectly regulated and to some degree autonomous influence upon policy.

## 4.1 Conceptual frameworks for interpreting state-society relationships

The main dilemma faced when analysing the interaction of society and policies is the tendency to resort to a theoretical separation between state and society. In the case of Vietnam this separation is particularly problematic given the pervasive and complex role of the CPV in structuring state-society relationships.

In his analysis of the reasons and motives lying behind the *doi moi* process, Kerkvliet (1995: 398-9) discusses the degree to which the state was (and is) willing to respond to local demands. He distinguishes between three broad interpretative models of state-society relations in contemporary Vietnam (Kerkvliet 2001a, 2001b).

The first, “dominating state” perspective asserts that while debates may arise within the state, and the state may be influenced by external events (e.g. the transformations in socialist Europe in the late 1980s), society is effectively subservient to

the *bureaucratic polity*, in which major decisions are made entirely *within* the bureaucracy.....[and power] is confined to a small group of party officials. (Porter 1993: 101, quoted in Kerkvliet 2001: 243).

In this model, social forces have no impact and decisions are based entirely within the bureaucracy (Porter, 1993: 101).

The second interpretation is close to the first, but emphasises the state’s penetration of and control over society through the mass organisations used to mobilise various social and economic groups in support of its policies. This “mobilisational authoritarianism” or “state corporatist” perspective acknowledges the existence of channels for society to influence the state, but only within strictly prescribed limits. This interpretation argues that there is “little scope for organisation of activity independent of the party-led command structures” (Thayer 1992a), and that power is contained amongst a small group of Party officials.

Both of these first two perspectives are often taken to imply that, given the pre-eminent role of the Party in setting the direction for the National Assembly, the People’s Councils, the press, and so on, internal “renovation” of the Party itself is a prerequisite for progress in the reform of the state.

The third and final perspective looks beyond the formal, organisational and largely national-level politics that are the focus of the first two schools of thought. This third approach argues that the state’s powers are actually far more limited than rhetoric would suggest, for a number of reasons. *De facto* decentralisation creates considerable potential for central policies to become transformed through adaptation at the Provincial and sub-provincial levels. Crucially, in this model the state *is* in fact aware of the need to maintain popular legitimacy, and responds to social pressures for the modification of policies which undermine this legitimacy.

It is important to recognise, however, that “dialogue” in this context “incorporates communication of contentious ideas and preferences in ways that, in Vietnam, are often indirect and non-verbal” (Kerkvliet 2001b: 245). The related concepts of “negotiation” and “everyday resistance” thus become central to explaining several important policy changes within the Vietnamese state (most notably the state’s

gradual retreat from collective agriculture in the face of determined foot-dragging and rule-breaking by the country's peasant farmers)<sup>27</sup>. In instances such as this, villagers

“may have no expectation, perhaps no intention of affecting Government policy, though they might well be trying to modify, even subvert implementation in their locale. But cumulatively such actions, although not organised or co-ordinated, can affect national policy when they are done in large enough numbers, in generally the same direction, and are ‘read’ or understood by higher officials” (Kerkvliet 1995 p. 400-1).

Thus, while the state does respond to social pressure and resistance-induced policy failure, this response may not necessarily be very quick or – at least in the first iteration – very effective.

It is likely that no one of these three modes of explanation will adequately explain the course of state-society relationships or political change in Vietnam in all circumstances: it is necessary to draw on each when it seems to most accurately capture reality in particular circumstances (Kerkvliet 2001a). However, the third perspective is becoming increasingly relevant over time as the state and the Party trade some of their authority in order to retain legitimacy (Economist, 2002). As the state has retreated from control of certain aspects of the economy under *doi moi* liberalisation, it has inevitably enabled new actors to emerge and old actors to acquire new roles and powers.

## **4.2 Official arenas for state-society interaction**

### **Consultation and accountability: the Fatherland Front and mass organisations**

The mass organisations have been an important element of the political system in Vietnam from an early stage in the history of the socialist state. In terms of conventional political theory, they are intrinsically hard to categorise, being neither what is conventionally considered part of civil society, nor entirely under the control of the state. The Party has used the mass organisations, under the umbrella of the Fatherland Front, to mobilise different sections of society (women, youth, farmers, etc.) in support of the political project of the Party (a project which has included - with differing emphasis at various points as the country has faced different challenges - national independence and unity, socialist revolution, and, now, the transition to a socialist-oriented market economy). This supporting role involves mobilising “internal” forces, encouraging people to follow party policy and to carry out Government programs. The connection with the CPV remains close, with CPV leaders often heading the organisations and playing a key role in local branches<sup>28</sup>.

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<sup>27</sup> The classic text is Scott's study of the rural poor's undeclared defence of their class interests during the Green Revolution in Malaysia: “Just as millions of anthozoan polyps create, willy-nilly, a coral reef, so do thousands upon thousands of individual acts of insubordination and evasion create a political or economic barrier of their own...[W]henever, to pursue the simile, the ship of state runs aground on such a reef, attention is typically directed to the shipwreck itself and not to the vast aggregation of petty acts that made it possible” (Scott 1985: 36).

<sup>28</sup> For example, at the Commune level the management board of the Fatherland Front is made up of representatives from the Commune CPV committee and the heads of different local mass organisations.

As such, the mass organisations are often depicted as the means by which the Party and state have been able to extend supervision and control into different social spheres, to promote its power at the grassroots, and to pre-empt any challenges from the non-state groups (Koh 2001b: 280). Such organisations, it is argued, exist as “instruments of top down control, despite playing lip service to be representative of group interests” (Tran Thi Thu Trang 2002:12). Even if the mass organisations do serve a bottom-up, representative role, they may not necessarily represent the interests of the poor. Many of the very poor do not join mass organisations, the structures of which are weakest in the poorest areas of the country (Fritzen 2002). In this light, reliance on the mass organisations as channels of information sharing, consultation and representation of the poor is problematic (World Bank 2000).

However, the mass organisations *do* also provide a representative function for their members, by which the particular interests of given social groups can be transmitted to policy-makers, and by which grievances can be expressed and policies which threaten social-corporate interests have occasionally been challenged. Through a comprehensive structure and large membership (twelve million in the case of the Women’s Union) reaching from the national level to below the commune level, the mass organisations are an effective method for information sharing, consultation and the gathering of opinions. At the Commune level, the Fatherland Front management board plays a potentially important role promoting accountability through the supervision and monitoring of projects. The link with the party does not necessarily mean that a ‘party-line’ is being followed in all cases, and officers of Fatherland Front groups have on occasion held officials to account<sup>29</sup>. To some degree, then, the mass organisations maintain the policy debate at every level, ensuring consensus-based policy lies at the basis of any dissemination system, however top-down in structure thus may be.

As part of the strategic effort during the 1990s to reshape the Vietnamese state as one governed by the rule of law (the process of “statisation”, to use Phong and Beresford’s phrase), there have been moves to clarify the role of the mass organisations (see Box 5). If during the late 1970s and early 1980s the role of mass organisations - to transmit the party line and mobilise social groups – was defined by a very hierarchical relationship between the party and the social groups (Vasavakul 2002:41), the process of reform has forced the mass organisations to redefine their role in ways which emphasise their representative function (Le Bach Duong *et al* 2001: 6). The Farmers’ Association, for example, has behaved in a corporatist fashion: officers claim to have influenced the 1993 Land Law (especially on the transfer of rights)<sup>30</sup>. Some mass organisations have also diversified to become economic service providers for their members - for example, the Women’s Union organises HIV prevention, micro-credit schemes and support for private enterprise – which tends to further increase the degree of independent political space within which the mass organisations can operate.

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<sup>29</sup> The Peasants’ Association claims said to have faulted authorities for mistreating peasants. Fritzen (2002:12) points out that despite the centralised structure both the Women’s Union and the Farmer’s Association show tendencies to accommodate local initiatives and thus varying degree of proactiveness and adaptation to local needs.

<sup>30</sup> They also and urged the state to subsidise the farm-gate process for rice, to increase low interest loans and put in place rural programs (interview with President of Peasants’ Association, 1995, in Kerkvliet, 2001: 247).

### **Box 5 Clarifying the role of the mass organisations under law**

Under the Regulatory Decree of 1997 and the 1999 Law on the Fatherland Front, the Fatherland Front and its associated mass organisations have been given a legal function in the formulation of policy, in generating support for official policies, and in channelling citizens' concerns and criticisms to the political leadership. The lowest level of the Government system, the head of the commune, relies on the mass organisations for interaction with the hamlet and household level. The Fatherland Front also has an important consultative role in the development of legislation and major decisions and policies: for example, the Fatherland Front assists the Supreme Court with the development of laws and regulations and introductions of members of the jury. The Front is also a member of the civil codes and Civil Process and involved in drafting law on the Civil Procedures Court. The National Assembly Committee on Law invites the representatives of mass organisations headed by the Fatherland Front to collect comments to assist with the drafting of new legislation and state regulations.

The trade unions are a particular sub-category of mass organisation with a potentially significant political role to play in the ongoing process of liberalisation and SOE equitisation. The General Confederation of Labour (the umbrella group for all official trade unions) is also controlled by the state and, as such, fulfils the same ambiguous role as the other mass organisations, functioning in large part as a transmission mechanism for Government policy (Dalton and Ong 2002). Indeed, there are reports that workers and local leaders have on occasion criticised the Confederation for behaving in a top down manner and conveying CPV policy rather than lobbying state authorities to address workers' needs<sup>31</sup>. In many cases, however, the unions *are* responsive to needs of their members. The result is a situation in which the state and the unions each provide a useful function to the other: the Confederation became the main means of controlling conflict in the economic realm in the 1990s by pressing for minimum wages laws and the right to strike in national policy making circles (Stromseth 1998: Chapters 4 and 6; Vasavakul 1997: 344)<sup>32</sup>.

### **Official procedures for grievance and complaint**

Official processes for grievance and complaints are impressive. The rights of citizens to seek redress have been strengthened through a series of laws and policies introduced over the course of the 1990s which, once again, are designed to add operational content to the principle of a state which operates according to the rule of law (see Box 6).

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<sup>31</sup> Greenfield 1994: 220-3, cited in Kerkvliet (2001b).

<sup>32</sup> The Confederation also, like other mass organisations, raises substantial sums of money privately and overseas through their relief fund, the Golden Heart Fund. This has funded (among other activities) the construction of 30 schools and hundreds of houses for the poor in rural areas (interview with vice-director of the Golden Heart Fund, February, 2003).

### **Box 6 Defining administrative justice**

The right of citizens to lodge petitions and letters of criticism was recognised in the 1992 Constitution, and since the early 1990s petitions have been received in Hanoi and Ho Chi Minh City at central offices staffed by representatives from the National Assembly, the Government, the CPV, the Office of State Inspection and the Central Committee of inspection (Vasavakul: 44). The 1992 Law on the Reorganisation of the People's Court was revised in 1995 to include clauses on the role of the court in dealing with administrative conflict; in 1997, Decision 89 brought in regulations governing the handling of citizens' grievances and requiring all administrative units to provide office spaces and hours when administrators could meet and discuss with citizens. In 1996 an administrative court was set up and in 1998 the National Assembly standing committee issued an ordinance revising regulations on the handling of administrative conflicts. Under the Law on Petition and Criticism in 1998 citizens gained the right to file a petition against the administrative decisions and practice of the state administrative system. At each administrative level, the People's Committee and Government bodies have the jurisdiction to deal with petitions against their own administrative decisions, with unresolved petitions dealt with by the level above. Time limits within which the petition has to be dealt with are also specified.

Despite this plethora of formal mechanisms and the obviously genuine intentions of the senior leadership that underlie them, many Government agencies have been inefficient in redressing popular grievances. There is often uncertainty over who is responsible for addressing the issues in question: in some cases, responsibility is assigned to the agency that is the subject of the complaint. In many cases a lack of trust in the grievance process prevents the formalisation of grievances. This is especially true in remote areas and amongst ethnic minorities who are only partially fluent or literate in Vietnamese, if that. Such areas and groups are of course highly associated with poverty. During research in a village in Hoa Binh Province, Tran Thi Thu Trang (2002: 11) observed that a mailbox was placed to receive anonymous letters and that staff at the Commune People's Committee staff were assigned to deal with legal issues. However, people were unwilling to use these procedures, perceiving that the system was not adequately independent, due largely to their experience of the blurring of executive and judiciary functions at the Commune level.

### **4.3 Informal influences on policy making**

#### **Everyday resistance and policy change**

As laid out in Section 4.1, there is a powerful argument that society does actually exercise an influence upon the state and upon policy-making in Vietnam, despite the limited opportunities for social preferences to be expressed through overt political competition, and despite the frequent ineffectiveness of genuine and well-intentioned efforts to create formal channels for consultation and complaint. Rather than direct dialogue channelled through routine, organisational structures, Vietnamese society influences state policy through patterns of mass non-compliance (or partial compliance) with unpopular policies. The state, being strongly wedded to a "mass-regarding" socialist ideology of serving the people, and having been forced to develop and sustain its legitimacy through a protracted struggle for independence, is – to a greater degree than most states in the developing world – attuned to these signals regarding popular consent (or lack of it) in the face of particular policies. When policies are manifestly failing due to widespread popular evasion or resistance, this will, eventually, be recognised, and the policy in question will be changed to

make it more acceptable and thus more likely to be implemented<sup>33</sup>. The most obvious and most politically significant example of this resistance-led policy change (and the one which has been most important in quantitative terms for poverty reduction) was the introduction of *doi moi*, beginning with the dismantling of the agricultural cooperatives and the allocation of land to households.

Kerkvliet suggests that the move to a market economy involved local initiatives “some sanctioned by central authorities, while others were unauthorised” (Kerkvliet, 1995: 399; Kerkvliet et al., 1998: 7). The transformation that occurred emanated from the grass roots, and, by opposing the system, villagers were slowly able to bring it to a halt and thus to play a fundamental role in shaping policy and bringing about reform (Kerkvliet 1993; 1995: 397, 414). In so doing he challenges the view the state runs political show in Vietnam to suggest that there are political forces in society which are beyond the state. He is also keen to stress that as state and society are interactive and each one responds to pressures from the other, analysis should not polarize the two views. This approach is a useful starting point for looking at the role of non-state actors in the policy process in Vietnam as it emphasises the way in which ‘boundaries, rights, jurisdictions and power distribution between state and societal agencies are debated, contested and resolved (Kerkvliet, 2001:240). In his work on the role of local administrators in the karaoke shop business in Vietnam, Koh (2001b: 280) shows the complexity of the way in which society interacts with the party-state and that the ‘final content of numerous policies is being negotiated or tolerated, rather than spoon-fed or imposed by the party-state and accepted in full by society....negotiation takes place at a lower level and in a disorganized and dialogical way, in an ebb and flow pattern’. In this way society reworks the boundaries which the Party-state tries to impose: ‘the Party has policies but the people have ways’ (*dang co sach, dan co cach*: cited in Koh 2001b: 283).

## Negotiating the rules of policy implementation

A concept closely related to that of “everyday resistance” is that of “negotiation” – much unspoken, but played out through action and response - between social and economic actors and the local state<sup>34</sup>. Hardy (2001) and Koh (2001b) both take as their theme the negotiation that occurs between households and enterprises on the one hand and the local state on the other with regard to the implementation of the rules established by central policy, taking for their case study material the household registration system and the operation of *karaoke* shops respectively. As a result of multiple chains of command, upper levels of Government are often unable to direct the levels below them and the incentives for local administrators to serve the needs of citizens or local businesses may be higher than the incentives to those from comply with central directives. Koh characterises the policy process that results

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<sup>33</sup> As a point of clarification, it is important to note that the concept of everyday resistance and its role in inducing policy change is not confined to any particular system: it has also been used to explain the “political” action of poor and marginalised groups in capitalist societies such as Malaysia.

<sup>34</sup> The dynamics of interaction between society and the local state are explored in a number of recent academic studies. The special issue of the journal *Sojourn* on “Negotiating the state Vietnam” (October 2001) and the joint ISEAS-ANU conference on “Local Government and authority in Vietnam” (November 2002) both contain a good range of articles by Vietnamese and foreign researchers exploring different aspects of state-society relationships, especially at the local level.

form this scenario as follows: in reaction to a problem, Party-state leaders makes rules with little consultation; local administrators implement policies; people ask to evade the rules; and administrators often agree. Following widespread non-enforcement / non-compliance, the Party-state is forced to alter the rules, either by strengthening them or adapting them to make them more acceptable.

This process of increased negotiation is occurring to a large extent informally, in the conduct of actual political relations. However, it is also at least partially formalised in law: the 1992 Constitution reaffirms that the CPV is the leading organ of the state, but also states that it is bound to operate within the framework of the law and the constitution. The Constitution also somewhat expands the powers of the directly elected National Assembly - which has become somewhat more assertive in its dealings with the Cabinet and Politburo.

Two important points need to be made with regard to the role of everyday resistance or informal negotiation as influences upon policy change. The first is that these processes are possible and important in large part because of the distribution of power within Party-state structures. As in any complex modern state, it is impossible for the central Government in Vietnam to exercise complete supervision or discipline upon all parts of the political system at all times. Officials at every level in the multiple hierarchies that are responsible for policy implementation inevitably are able to, and indeed must, exercise discretion in the application of rules and allocation of limited state resources. Unclear boundaries between the jurisdictions of different levels of Government, across agencies at the same level, and between the state and the Party all increase the scope for this discretion. This discretion confers a degree of power upon these implementing officials, including “street-level bureaucrats” (i.e. those public sector employees – such as teachers, health clinic staff, police officers – at the bottom level of state structures who are in direct contact with the public and immediately responsible for the delivery of state services). In part because these local officials are embedded in the communities in which they work, in the absence of strong systems for bureaucratic control they may feel more accountable to people in the locality than to their line structure, and thus reluctant to enforce rules they know to be unpopular.

The “room for manoeuvre” enjoyed by local officials is thus shaped in complex ways by the incentives (opportunities and sanctions) they face. On the “supply side”, these incentives are determined by the resources available and the adequacy of bureaucratic controls. In principle, then, public administration reform and growth in available public resources should over the long run reduce both the need and the incentive for the exercise of discretion in service delivery, and thus the scope for negotiation during implementation and resistance-led policy change. The pace of this shift from state rationing and discretion to a more neutral and professional model of public service delivery will however vary considerably between poor and rich, or remote and central, parts of the country; and may have either pro-poor or anti-poor effects, depending upon circumstances.

This brings us to the second point: namely, that the processes of everyday resistance or of informal negotiation which, when aggregated, affect policy outcomes, are not *intrinsically* pro-poor<sup>35</sup>. As mentioned above, there is a convincing argument that the generalised rejection of collectivisation which led to the adoption of *doi moi* policies

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<sup>35</sup> This indeed was one of the critiques of Scott’s work on everyday forms of peasant resistance.

*was* pro-poor in its outcomes: in the early 1980s the vast majority of people were felt that collective agriculture was failing them, perceived that their standards of living were declining, and so abandoned collective agriculture for household agriculture. When this *de facto* shift to a mixed economy was recognised and encouraged in policy, it resulted in rapid and broad-based economic growth that lifted millions out of poverty.

However, in other circumstances it may be resistance – or negotiation – by non-poor groups which shapes policy, perhaps in directions which do not favour the poor<sup>36</sup>. This possibility is captured in the observation that Vietnamese active in the public sphere do not generally see themselves as asserting civic power against state power but “prefer to infiltrate the state, find informal allies, and build networks that may conceivably be seen as fulfilling the state public and private objective simultaneously” (Marr, 1994). Kerkvliet (2001: 248) shows how many activities which affect policy fall outside official channels, referring to “family ties, friendships and relationships carrying over from when people were classmates or in the army together or hailing from the same province or village can influence how officials behave”. This is also shown particularly clearly by the work of Malarney (1997) who discusses the way in which citizens have been asserting their voice in Vietnamese politics. He also rejects the value of using a state-versus locality dichotomy using vivid examples of the ways in which local politicians are committed to officialdom but are drawn from network of kin and community and pressured to nurture interpersonal relationships and use position for the benefit of kin. The point here is that this model of elite influence upon policy may well be in the interests of achieving pro-poor policy, but equally it may not.

This weakening of the link between society’s influence on policy-making and the pro-poor nature of the resulting policy change is likely to become more pronounced as Vietnamese society becomes more differentiated, both in terms of wealth and political access. Once well-off groups begin to ignore policies that are not in their interests, or come to working arrangements with local Government to avoid those parts of policy which impinge on their interests, then the concepts of “everyday resistance” and “negotiation” (generally assumed to result in populist, pro-poor political change) shade into more pejorative concepts such as “elite capture of the state”<sup>37</sup>. Conversely, as success in poverty reduction makes the poor an increasingly small (and scattered) minority rather than a majority, their numerical weight becomes less, and their ability to force pro-poor policy change on the state through resistance and negotiation becomes weakened. It may be, therefore, that everyday resistance as a force underlying pro-poor policy change is an effective tool in a socio-economic structure characterised by mass poverty, but that its utility – at least for *pro-poor* change – declines as poverty levels fall. The implication of this would be that in Vietnam there is now a need to develop formal

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<sup>36</sup> The case of the *karaoke* business analysed by Koh is a good example of a contemporary “negotiated” policy change which is at best ambiguous in its effects on the poor. There are strong arguments that criminalising prostitution penalizes poor women while doing little in the long term to affect the growth of the commercial sex industry (and while making policies for HIV control less effective than they could be: see the next chapter). However, while *karaoke* employees gain space to earn a livelihood when the business is tolerated, the primary beneficiaries from evasions of the regulations “negotiated” with the local state are the owners of the *karaoke* shops, who are clearly *not* amongst the poor.

<sup>37</sup> See for example Rudolph and Rudolph (1987) for an analysis of state capture in the context of India.

means for the poor to influence policy – for example, through NGOs, or through effective implementation of the regulations on local democracy – in order to substitute for their loss of influence through informal strategies.

## Protest and policy response

Compared to some other countries, the use of public protest as a mainstream method by which social groups or individuals attempt to influence policy change is uncommon. There are cases where those who have openly challenged the party-state system have been subject to surveillance and detention. This inevitably limits the scope for policy debate, and for consideration of policy alternatives.

Street protests are rare and Government responses to placard protests vary between “a combination of sending in the police to make arrests, and attending to some of the protester’s complaints” (Vasavakul, 2002:249). Following a sharp rise in sit-in protests outside the homes of state officials they were banned in 1998 (Thomas 2001: 321).

However, when on rare occasions major public protests do occur, the central state appears to respond rapidly to the crisis in question. This has occurred on two occasions during the last decade. In 1997, half of the villages in Thai Binh province rose in protest against corrupt local officials. Mass demonstrations, the sacking of Party offices and a number of deaths prompted a high-level investigation by the centre which resulted in the imprisonment of dozens of local officials and the dismissal of hundreds more (Kleinen 1999 pp. v-vi). Apart from alerting the centre to corruption in local Government (at which point the centre took decisive action to rectify the causes of the grievances), the Thai Binh protests are notable for having triggered a major policy initiative, namely the introduction of the Grassroots Democracy Decree<sup>38</sup>. This Decree was explicitly intended to improve local transparency and accountability, in order to avoid the kind of problems which had given rise to the protests.

A similar pattern of political response is apparent in the second case. As in Thai Binh in 1997, the demonstrations in the Central Highlands in 2001 were motivated by anger at local corruption, exacerbated in this case by local ethnic tensions between non-Kinh (often evangelical Christian) minority groups and Kinh (many of them migrants to the region), who were seen to be exploiting or displacing non-Kinh, often in collusion with corrupt local officials. As in Thai Binh, the reaction of the centre was to send in police and troops to enforce law and re-establish order, but also to send investigation teams, to initiate an inquiry and, as a result of that enquiry, to discipline nearly 2,000 officials in the province by September 1999 - including the Secretary of the Provincial CPV and the Chair of the Provincial People’s Committee, the two highest officials in the province (see Kerkvliet 2001: 267 for references). The third component of the response involved a rapid, stop-gap policy response (in this case, land regulations designed specifically to protect the land access of the ethnic minorities) intended to improve the position of the poor and remove the source of the grievance (which amounts also to a threat to the legitimacy of the regime).

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<sup>38</sup> See SRV 1998 for the text of the Regulations which operationalise the Decree.

## Social identity as a political variable

The legacy of a state socialist ideology for how the Party-state system perceives non-state forms of social identity are somewhat ambiguous. While ethnic relations in Vietnam are not without problems<sup>39</sup>, the relationship between the Kinh majority and non-Kinh minorities, and the role of the state in mediating these relationships, are far healthier than in many countries<sup>40</sup>.

Ethnicity has been an effective mobilising feature for policy change. The profile of ethnic minorities is high relative to other South-east Asian countries and positive resolutions concerning ethnic minorities were passed at the recent Party Conference<sup>41</sup>. In many of the interviews with ministries conducted during the course of this research, there was a clear recognition that conflict can result from multi-ethnic situations. The general emphasis on proactive policies for ethnic minorities is a deliberate policy to avoid this. This has been shown most recently in the number of directives issued to address problems which led to protests in the ethnic minority areas of the Central Highlands. At a conference in March 2001 to review Programme 135, plans were announced to expand electricity, irrigation, TV and telephones to ethnic minorities in Dac Lac, to exempt ethnic minorities from school fees and to set up a development investment fund in Central Highland initially worth \$3.27 million. The Government currently funds \$354.7 million worth of development projects for ethnic minority areas (*Nhan Dan* September 27<sup>th</sup> 2002: 1). The Central Committee embraced the land issue after the events of the Central Highlands and officials from Department of Land Administration in eight provinces were given anthropological training in Australia. In October, 2002, Decision 132 was passed to allocate land for production and housing to ethnic minorities “to prove its concern for the wellbeing of hill tribe people since upheavals in the region in February, 2001” (*Quan Doi Nhan Dan*, 2002: 1-2). Although there are tensions between respect for cultural traditions enshrined in national law and concerns (expressed more commonly at lower levels in Government) about “backward practices” (particularly with regard to shifting cultivation agriculture in mountainous regions), GoV policy by and large avoids assimilationist tendencies in dealing with ethnic minority groups.

On the other hand the attitude of the Party-state to specifically *religious* identity is more complex. The revival of religious ritual has become an increasingly visible since *doi moi*. For the most part, this village-level ritual practice is not regarded as a serious threat to the legitimacy of the state. The overlap between politics and

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<sup>39</sup> As seen in the targeting of the Chinese population during the border campaigns of the late 1970s, or more recently in the tensions in the Central Highlands.

<sup>40</sup> Commentators have different perspectives on the Vietnamese state’s treatment of ethnic minorities, but Jamieson (2000) makes a good case that “ethnic minorities in Vietnam have enjoyed better legal and political status than minority groups have in many countries in the region, or around the world”, with the 1992 Constitution and CPV policy containing explicit rights and protections for ethnic minority groups (pp. 7-8). This long-standing and high-level commitment is not always enough to prevent either misguided or exploitative treatment of minority groups by local Governments, but it does provide an underpinning of checks which should help to prevent such mistakes or abuses, and to correct them when they do nonetheless occur. It is worth noting that the General Secretary of the CPV elected in 2001 (Nong Duc Manh) is from an ethnic minority group (Abuza 2002).

<sup>41</sup> During our interview with the CEMA it was stressed that international pressure helps to keep ethnic minority issues on the agenda.

organised religion above the community level is however a sensitive area in Vietnamese politics, as overt religious identity is often seen as a challenge to the authority of the Party and its associated structures. This nervousness about organised faith is in part because of the sceptical attitude to religion that is essentially foundational in the scientific socialist tradition of Marx, Lenin and Mao; and in part because of the association of (Christian) religious identity with first French colonialism, then the southern regime during the struggle for reunification and, subsequently, with Vietnamese exile groups who are often strongly anti-communist. Religion is thus associated not only with false consciousness and the feudal exploitation of the poor but with a threat to socialist patriotism and national sovereignty<sup>42</sup>. There has been particular tension over the Unified Buddhist Church of Vietnam (UBCV), which claims to represent the majority of Buddhists in the country. Efforts in 1982 to bring all Buddhists under a state-controlled Buddhist Church of Vietnam provoked protest, resulting in clampdowns against individual monks (Kervliet 2001: 250).

It is tempting but difficult for Vietnam's development partners to view political conflict over religion as completely irrelevant to poverty reduction issues. Religion is by no means synonymous with either ethnicity or socio-economic status, but in some circumstances – such as in the Central Highlands – religion (in this case evangelical Protestantism) *is* closely associated with ethnic identity. Along with corruption, discrimination and conflicts over ancestral lands and forests, complaints over religious persecution were noted as one factor behind the Central Highlands demonstrations (Thayer, 2002: 23)<sup>43</sup>. To the extent that religion in these circumstances crosses over from being an issue of individual human rights to become one influence upon ethnic identity and organisation and the state's response to this, donors need at least to be aware of the significance of religion, even if there is probably no productive way to make direct use of this awareness in policy dialogue or programming.

#### **4.4 Media, the private sector and quasi-autonomous civil society**

##### **The role of the media and the internet**

In terms of politics, policy change and benefits that accrue to the poor, the potential contribution of the media in contemporary Vietnam could be seen to operate at three levels. Firstly, there is the possibility for the state media to provide poor groups with the information they need to increase their capacity to obtain access to and make the most of the opportunities presented under *doi moi*. To the extent that information (on rights to services or target programme entitlements, on prices in markets, on production techniques and so on) constitutes power, the media have a potentially powerful role to play in empowering the poor within a mixed economy. The reach of rural telecommunications and media has improved in the 1990s, encouraged by Government initiatives to provide cultural and information centres in

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<sup>42</sup> In the past, state suppression of Buddhist activity in the south (aid sent for Mekong flood relief from groups based in US) was framed in terms of a necessary response to a US-backed insurgent threat to the state.

<sup>43</sup> It was suggested by the Government that the “situation was caused by a sabotage attempt by hostile forces, but it was caused mainly by our weakness and mistakes in the leadership in implementing the party and state's ethnic and religious policies” (DPM Nguyen Tan Dung quoted in Arthurs, 2002).

the communes with free access to books and newspapers. However, access to even mainstreamed information is rare for those at commune level. There is little access to newspapers, which are relatively expensive and remain limited to urban areas, and television, the main source of public information, is restricted to the richest households. Apart from the question of access, there is only relatively little content that is directly useful to the poor. Television is targeted at a national or provincial audience with little of relevance to specific problems faced by villagers; and formal information channels remain underused other than for getting information about agricultural knowledge (Tran Thi Thu Trang, 2002: 25).

Secondly, media exposure of abuse or incompetence by state officials can exert pressure for accountability. Newspaper editors certainly perceive themselves as having a ‘watch-dog’ role to play, not only informing the people but also providing independent feedback to the Government<sup>44</sup>. Land and health issues are some of the ‘hottest’ issues in the press, which plays an important role in exposing the wrongdoings of local officials in the health and land sector and illegal loggers in the forestry sector. The press has an important role in appeals: *Lao Dong* for example will publicise complaints on the inadequate care given by a hospital, or will force the Ministry of Health to bring corrupt companies to court. The media reports widely on corruption and is encouraged to do so by the CPV (Heng 2001: 216): however, journalists cannot criticise those with political power except in ways sanctioned by the state, such as the corruption trials<sup>45</sup>.

Finally, the media could in theory provide fora for genuinely political debate: for example, about the potential opportunities and risks involved in further liberalisation, about the importance people attach to growth and wealth creation vis-à-vis security and equality, and so on. An open media, using letters and other forms of reader contribution and responsive in a free market to the interests of a news-buying public could, in other words, provide a way for citizens to express themselves, and so provide policy-makers with insights into concerns and preferences within society<sup>46</sup>. Albeit far from conclusive, experience in other countries does suggest that when citizens are informed about and invited to contribute to national debates about - for example - structural adjustment policies, it can help to make the resulting policies more acceptable, as they are seen as more legitimate for having been aired publicly.

The increasing number of media outlets might be thought to increase the effectiveness of media as a forum for political debate, even if that debate is constrained by the rules of one-party politics. Since 1986 there has been an increase in the number of broadcast programmes and published materials available in Vietnam, and the media plays an increasingly important role in constructing people’s

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<sup>44</sup> interview with *Lao Dong* newspaper, February 2003.

<sup>45</sup> The previous General Secretary of the Party, Le Kha Phieu, asserted that “The citizen’s duty requires the journalist to fight without compromise the dark plots and wrongful ideas of the hostile forces to protect the point of view of the party and policies and laws of the state” (in Reuters, 28<sup>th</sup> November, 1998). Heng (2001: 233) notes, however, that editors steer away from cases which involve powerful patrons amongst senior party leaders.

<sup>46</sup> As well as receiving letters, many newspapers set aside a day to receive the complaints of people, when necessary writing down the grievances of those who are illiterate (Heng 2001: 233). The *Lao Dong* publicises opinions of their readers through the use of questionnaires on the internet. These have covered topics such as the opinions of directors of different companies regarding the tax system.

taste and values, in information sharing, and in holding the Government to account. The live broadcast of National Assembly members posing questions to Cabinet members is cited as an important advance; another programme provides an open forum for policy-makers to discuss more contentious issues on air, increasing public awareness of policy debate. The increase in the number of media outlets and the volume of factual coverage does not however necessarily lead on political debate: as the media can no longer rely on state subsidies and media concerns struggle to attract audience and remain financially viable, coverage of popular subjects has increased at the expense of political issues.

The constitution states that citizens have the freedom to speak, publish and criticise. However, it is also argued that the state has the right to protect the nation against hostile forces that threaten to undermine social and economic improvements (see Kerkvliet 2001: 255). As with other institutions, the media has two regulatory regimes – that of the Party (the more important) and that of the state (Heng 2001: 230). The state uses the media to inform people about official policy positions and mobilise them in support of those policies. The role of the Ministry of Culture and Information and the CPV Department for Culture and Ideology is to scrutinise and intervene to control content (Heng 2001). Rules against unauthorised outlets of media are rarely breached and when they are, the law enforcement agencies respond quickly to punish the violators (Kerkvliet 2001: 252)

Vietnam has 21 e-newspapers and e-magazines and 2 e-publishing houses (Vietnam News Agency 2002). The introduction of the internet since about 1996 has increased interaction with foreign influences and has given access to websites, many started by anti-communist Viet Kieu and featuring writings by people criticising Party-state policies. The internet therefore operates under close official scrutiny: the Government requires certification for all levels of internet access. There have been cases where those who have used the internet to circulate anti-Government information have been arrested (Thayer 2002: 30). This is one more sphere of social and economic life in which there is a clear tension between the moves to economic liberalism and the attempt to retain close political control, as attempts to restrict internet usage contradict objectives to promote IT use in order to further economic development.

## The emergence of civic associations

In 1992 Thayer commented that the development of civil society in Vietnam was at a “nascent stage” and that there was “little scope for the organisation of activity independent of the party-led command structures”. Ten years later, however, there has been a mushrooming of associations - voluntary, non-profit, non-Governmental, community-based, grassroots and co-operative - outside the realms of the Fatherland Front. By July 2001 there were 240 national associations, 1,400 local organisations and thousands of self-established Commune- and District-level associations (Le Bach Duong et al, 2001:5). These associations fulfil a variety of roles<sup>47</sup>. As Le Bach Duong (2001: 27) points out, a Government which is promoting the “rule of law” and sound governance requires contributions from civic organisations and the private sector, especially if the bureaucracy and the mass

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<sup>47</sup> These range from organising activities, to income generation, to representing people in negotiation with Government, to disseminating knowledge providing feedback into the Government.

organisations have not developed fast enough to keep pace with the challenges. Supporting this analysis, Vasavakul (2002: 41) claims that under *doi moi* such associations were encouraged as a way to mobilise support for the reform process at a time when it was unclear if the majority of the Party and the state was behind it.

It is nonetheless important to be realistic about the boundaries within which the roles of these organisations are defined. Participation in social groups is extensive, but the politically autonomous civil society as it is understood in other countries is at best embryonic and marginal. Many of the associations are still state-affiliated and in some cases state-funded (if they provide a service that contributes to Government plans). National associations are closely regulated (see Box 7): under Decree 35, all associations have to register with MOSTE (Le Bach Duong *et al* 2001: 6), with most organised into unions for convenience<sup>48</sup>.

#### **Box 7: The evolution of legislation and practice with regard to civic associations**

Directive 01 in 1989 and Resolution 08 1990 encouraged the setting up of associations which then had to receive permission from the Council of Ministers or if local, from the People's Committee. In 1998 the requirement to obtain permission from the Government Committee on Organisations and Personnel or the Prime-Minister's office was introduced in response to concerns that many association were 'illegal' and not operating with proper or reporting to the upper echelons. In 1992 a legal and policy framework for associations and domestic NGOs was developed in the form of Decree 35/CP, 'Measures to encourage Scientific and Technical Activities' allowing individuals to establish their own science and technological organisations. Decree 177/CP (1999) on social and charity funds and the 2000 Law on Science and Technology provided a basis for the development of further civil associations. By 2001 there were 200 funds mostly set up by associations. Some are formed by Government organisations, some managed under Mass Organisations and others by local Governments (Le Bach Duong *et al* (2001:9). There are also hundreds of 'social supporting centres' for example the Association for the Protection and Support for Disabled People and Orphans, which are regulated under Decree 25/ND-CD on Regulations of Organization and Operation of Supporting Centres. In the 1990s a 'couple of dozen' NGOS emerged to help drug addicts, street children and minorities. They now comply with state regulations but many are not 'handmaidens of state officials' (Kervliet, 2001:249). Other organisations such as self-help clubs, informal credit cultural or religious organisations may be informal or unregistered but can have an impact on the Government. For example self-established advocacy groups may act as critics of development agencies or business. In addition there are "probably thousands" of small organisations with no legal standing but influential in implementation e.g. vegetable growers associations, associations for the maintenance of temples, vendor or *cyclo* driver groups (Kervliet, 2001:249).

In conventional terms, then, these new associational forms include charitable and service-delivery NGOs or local level Community-Based Organisations (CBOs) which - together with the more conventional mass organisations - provide material assistance to the poor as the state is rolled back, but do not (with a very few

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<sup>48</sup> Professional associations are arranged under three large unions: VUSTA (Vietnam Union of Science and Technology); the Vietnam Union of Associations of Arts and Literature; and the Vietnam Union of Friendship Associations. There are also 30 independent associations which do not belong to any union.

exceptions) engage in political critique or public debates about policy (Le Bach Duong *et al.* 2001; Norlund, 2003: 92)<sup>49</sup>.

Interestingly however, there appears to be small but growing acceptance that these more “upstream” roles might be legitimate and useful: amongst the Party committees and Government agencies that are responsible for many of the formal associations, some administrators have suggested that Government should create favourable conditions for the associations to operate, and should encourage their inclusion in the process of making and implementing decisions with regard to the provision of public services. Certain critiques – and, as importantly, critiques from certain quarters - are still extremely sensitive and are not tolerated in public by the Government<sup>50</sup>.

Given that the Government is still hesitant about accepting the role of local NGOs in policy debate (as opposed to service delivery), the support of the Government’s external development partners has been an important factor in creating policy “space” for NGOs. The Poverty Task Force has insisted on the inclusion of the local NGOs and the Government is in the process of establishing better regulations for NGOs but there is little space for local NGOs at the provincial level and below.

### The role of the private sector and trade lobbies in policy-making

There was an explosive growth in the Vietnamese private sector in the late 1990s, with a total of 70,000 new registrations recorded between the Enterprise Law of 1999 and 2002 (Fforde 2002). The role of the private sector in policy formulation is unclear, particularly as the line between the state and private is blurred. However, there is no doubt that both the foreign and the domestic commercial sector have been a significant influence in the development of policy post *doi moi*. Examination of policy since 1994 reveals the tensions between decision makers and contradictory policies which have oscillated between attracting foreign investment and attempts to prevent the impact that this may have in terms of ideological and political change.

Between 1987 and 1994, foreign investment was encouraged, but since 1994 there has been an increase in controls such as rents, regulations over labour conditions and requirements for trade unions and party cells to be established. This was seen to be at least in part a reaction against increasing international pressure for ideological and political reform<sup>51</sup>. Dixon and Kilgour (2001) argue that this pattern of seeking close international relations and then withdrawing when the consequences for domestic policy became apparent has been repeated in recent negotiations over

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<sup>49</sup> Bach Tan Sinh (2001: 5) discusses how local residents’ complaints about pollution forced businesses (via Government) to adopt cleaner technology and practices. Often however, in the absence of overtly critical policy-oriented NGOs, public critique of policy is carried out by intellectuals such as journalist, historians and scientists. A case in point is the response – an open letter from the Centre of Buddhism, the National Association of Historians and Centre of Historical Conservation - to VINACOAL’s plan to expand mining into the Yen Tu Mountains (designated by the Government as the national historical monument).

<sup>50</sup> see Kerkvliet 2001b, including citation to Heng 1999 on the Club of Former Resistance Fighters.

<sup>51</sup> The move to stricter management of FDI probably also reflected more prosaic considerations, such as the influence of SOEs (keen to protect themselves against competition) and perhaps a broader concern – shared to some degree with other south-east Asian countries – about the regulation of FDI in the aftermath of the 1997 regional crisis.

joining ASEAN, when it was realised that membership would require the reduction of tariffs, an important element of the state income. There are signs that policy formulation in this area is increasingly less co-ordinated and more prone to contradiction.

Certainly it could be said that economic growth and participation in the global economy is contributing, along with other factors, to the undermining of the dominance of the central state. The increased interaction with capital at the local level is leading to the increased power of local state, new alliances and the emergence of a new economic elite. This process is accelerated by Government policies to promote growth in secondary centres and peripheral provinces. For example, the economic rise of Ho Chi Minh City has been an important force in calls for local autonomy and representation (McCarty 2002:48). Until recently, foreign investment was concentrated close to centralised control with 50.3% in Hanoi and Ho Chi Minh City and 25.8% in the five provinces adjoining these centres (Dixon and Kilgour 2001). This has acted to limit the alliances that can develop between provinces and foreign capital. There are tensions within the political system between those who are interested in the continuing protection of the SOEs and those who stress the need to diversify and link with foreign capital. The agenda of SOE reform is seen as heavily conditioned by both domestic and international considerations.

The Chamber of Commerce and Industry (VCCI – officially a mass organisation) was an important lobby during the debates which shaped the 1994 investment laws (Kervliet 2001: 247). In the land sector there are strong internal lobbies, for instance, in coastal areas relating to the conversion of land and development of commercial aquaculture. The commercial sector wants to remove policies which differentiate between commercial and private use of land and which only allow commercial users to lease land (c.f. the other four rights which accrue to the use of private land), a restriction which is seen as a barrier to investment. Indeed, many decisions over land can be viewed as safe guarding the rights of certain groups, as for example in the case of the recent recognition of informal land rights, which can be seen as a reaction to complaints and demands of the urban elite (see the following chapter for more detailed discussion).

In the policy process around economic opportunities and regulations, the boundary between the private sector and the party-state is unclear. The two realms interact in a variety of formal and informal ways, reflecting the complexity involved in gaining access to capital and in dealing with regulatory systems (Scholtes 1998). Business elites have emerged within the provincial Governments and elements of party and bureaucracy and the rise of the non-state sector has been reflected in representation in the National Assembly, leading to questions being raised about the role of Party members in private business (McCarty 2002).

## 5. Patterns and trajectories in sector policy processes

This chapter identifies key themes in the processes by which policies are made and put into effect, and explores the degree to which these themes affect how policies succeed or fail in improving the livelihoods of groups amongst the poor. This discussion is illustrated with examples drawn primarily from the three sectors of health, land and forestry (although examples from other sectors are used where relevant). The main similarities and important differences between the sectors are highlighted under each theme.

The first section (5.1) opens by examining the degree to which policies in these sectors are *intended* to be pro-poor. As described in Chapter 3 above, the Vietnamese socialist tradition is strongly predisposed, at a fundamental level, to generate policies in favour of the poor. However, the clarity and coherence with which this commitment is carried over into policy making in a given sector varies, depending on a variety of factors, including technical aspects of service delivery in the sector in question; institutional legacies in terms of how the state's role in the sector has been conceptualised and organised; regional variations in the nature of the sectoral "problem" or sub-national Government organisation; and variations in capacity and incentives between sectoral structures of Government at both national and sub-national levels.

The following sections then look specifically at the ways in which the policy outcomes of national policy may vary considerably between and within Provinces, using the land sector as the main source of illustrative material (5.2); and at how the lead role in policy-making may shift back and forth between national and sub-national levels of Government, with policy-making powers recentralised in response to crises which are seen to call for a strong lead from the centre (5.3). Section 5.4 analyses the Vietnamese experience in terms of ideology (a political discourse which frames different policy issues or social groups amongst the poor in different ways) and incentives (or institutional interests that elements of the Party-state have in the management of sectoral resources and rents).

### **5.1 Managing tensions between growth and equality: iterative policy-making in the reform period**

Since the introduction of the market mechanism into the economy in the late 1980s, policy-makers have been struggling to flesh out the political construct of a "socialist-oriented market economy". To do this requires reconciling the promotion of economic growth with the reduction of poverty and the containment of inequalities. The forms that this tension has taken vary between, and within, the different sectors. Policy-making does clearly reflect a continuing ideological orientation towards the poor. The strength of this political commitment does however vary between sectors. This section will draw out some of these differences between sectors, and seek to identify the factors that explain them.

## Social service delivery under *doi moi*: financing and equity in the health sector

One lesson of *doi moi* is that major policy changes (in this case, economic liberalisation) will have knock-on effects beyond the sector in which they are introduced: where possible, these need to be anticipated and compensatory mechanisms put in place, but where they cannot be fully predicted in advance, the policy process needs to be able to respond flexibly. Malhotra (1999) notes that in order to understand the impact of specific policy directions taken in the health sector (most notably the removal of the multiple health subsidies that benefited poor groups in the former collective system), it is necessary to look beyond the sector to the broader macro-economic reforms to identify how these have influenced social and economic outcomes. This issue can be illustrated by looking at the implications for the service delivery sectors of changes introduced in order to boost efficiency in the productive sectors. The policy decision to allow the (further) withering away of the collective system under *doi moi* stimulated impressive growth in production, incomes and consumption. It also however resulted in the rapid contraction of basic service provision.

These structural changes in the provision of, and access to, social services were particularly rapid and far-reaching in the health sector (see Box 8). The breakdown of the healthcare network managed by the co-operatives brought about a number of largely unanticipated and unintended consequences with which sector policies have been struggling to contend throughout the 1990s. Key elements of the health sector's policy-response to economic liberalisation include the introduction of user-fee systems in the early 1990s; diversification of the sources of health sector financing, combined with a rapid expansion of private practice and introduction of health insurance systems, in the mid-1990s; differentiation in financing and delivery mechanisms between primary healthcare programs and preventive and curative healthcare provision; and a more recent series of policy measures designed to introduce cost exemptions for the poor and to improve the targeting of these exemptions in response to emerging inequities and disparities in the system.

### **Box 8 The impact of *doi moi* on primary health care provision**

Although the highly centralised and socialist political economy of the late 1970s and early 1980s ultimately proved economically disastrous, it did incorporate arrangements that provided equitable access to basic social service provisions (i.e. primary education and primary curative and preventative healthcare). The pronounced mismatch in the early 1980s between Vietnam's impressive human development indicators and its desperately inadequate economic indicators and income poverty rate drew out this contrast in stark relief. Prior to the mid-1980s, health care was fully subsidised. In much of the country, the local healthcare system was linked to work brigades under the cooperatives and SOEs, which were responsible for financing and maintaining the Commune Health Centres (CHCs) and the network of grassroots healthcare workers. Following the demise of the cooperative and brigade structures, the CHCs became increasingly dependent on state funding through the provincial budgets. At the time, however, these were insufficient to maintain the quantity and quality of services at the Health Centres in addition to the district and provincial hospitals, and the level of expenditure on local health infrastructure, equipment, medicines and staffing declined rapidly. Between 1985 and 1990 the number of grassroots healthcare workers fell from 59,000 to 40,000 and both in-patient and out-patient hospital care utilisation declined by 50% (Sources: World Bank et al 2001; Nguyen Van Thuong et al 2000).

Health reforms have thus mobilised and diversified the forms of health financing through, at various points, user fees, health insurance, private practice, and public contributions. This has increased health sector flexibility, but problems such as lack of adequate coordination between elements of the system (e.g. the health insurance scheme, public sector service provision facilities, and health administration functions such as cost control) has given rise to a number of negative effects with regard to the equity of healthcare provision and the access enjoyed by the poor (Do Nguyen Phuong 2000). In Vietnam, as in many other countries, there has been an intense debate over recent years – played out in the press and notably in a special session of the NA in October 2003, amongst other fora - about the impact on the poor of the introduction of market-oriented health sector reforms<sup>52</sup>.

In transition economies such as China and Vietnam, this debate has been heightened by the rapidity with which *de facto* market mechanisms entered the system in the early reform period (Dahlgren, undated). Phuong suggests that the introduction of partial user fees in the early 1990s was envisaged as an interim solution, bridging a gap in the transition to a situation in which the state budget and health insurance would be the two major sources of financial resources available for funding the operation of the health system. However, there is some way to go before a comprehensive system of public and private health insurance and subsidised exemptions for the poor is in place. Moreover, in the health sector in particular, it is perhaps erroneous to assume that perfect solutions can be obtained. Given the changing nature of disease profiles and health concerns, and new forms of household vulnerability that are emerging over the course of the economic transition, it is likely that health sector policies will continue to be characterised by flux and adaptation in the foreseeable future.

As noted in a recent comprehensive review of the health sector (World Bank *et al* 2001), the debate on the appropriateness of cost recovery in health is somewhat academic in Vietnam, since user fees (both formal and informal) have effectively been in place for over 10 years. The evolution of health policy over the last decade has thus been one of a rolling series of largely *ad hoc* innovations, in which policy change has either formalised existing arrangements, or sought to respond to them.

## Balancing equity and growth in land allocation

As indicated in Section 3.1, the land reform of the late-1980s can be seen as an attempt to capture and legalise a number of informal but widespread and uncontrollable patterns of land redistribution, which were already underway at the time. The 1988 legislation officially signalled a shift away from collectivisation by sanctioning the allocation of land to individuals and other economic units for long-term use<sup>53</sup>. The prime significance of this legislation lay in the fact that it enshrined

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<sup>52</sup> New directions issued in January 2002 (Ordinance 10/2002/CP), for example, which permitted hospital directors to raise revenues for hospital services have resulted in hospitals opening “paid service sections” offering markedly better quality of services than those offered to patients seeking treatment on the basis of Vietnam Health Insurance (VHI) cards.

<sup>53</sup> The fundamental principle of tenure is stated in *Article 1* of this early land law as follows: “Land is the people’s possession, controlled by the state. The state assigns land to farms, cooperatives, agricultural and forestry production teams, state enterprises, people’s armed forces, social organizations and individuals...for long-term employment”. Land in Vietnam is officially classified into six categories: agriculture, forestry, rural residential, urban residential, special use and unused land. Within each category, there may be sub-divisions: for instance forest land is divided into ‘production’, ‘protection’ and ‘special use’ forest areas to which

the right of individuals to occupy land for the first time, as well as fundamentally redefining the relationship between the state and its citizens by implicitly recognising the superiority of individual endeavour over collective means of production (Block and Osterberg, 1989).

Follow up legislation (through Government Decree No.10) gave detail to this principle, but did not provide a particularly clear regulatory framework for how to conduct or adjudicate the process of land allocation and/or redistribution. Combined with the moves that were already afoot, allocation of land to households took place in a largely spontaneous manner. This transformation was notable for its speed, occurring throughout the country largely within the space of one or two years following the introduction of the governing legislation. As a consequence of this, formal processes of cadastral survey and land certification, carried out throughout the 1990s under the provincial and urban Land Administration Departments, have in most cases been retroactively ratifying this informal process, while simultaneously attempting to apply and fulfil the specific requirements of the regulations.

Pro-poor features of the Land Law include: (i) limits that are placed on the areas of land allocated to each household with the aim of having an equitable distribution and access to land for all; (ii) the calculation of land area based on the quality of land rather than its area; (iii) the periodic redistribution of land and the maintenance of residual land reserves to allow for future needs; and (iv) the fact that individuals should be treated on equal terms with other economic units and state institutions in this regard (see Table 2).

However, as Table 2 shows, there have also been elements of land allocation and management (some inherent in policy design, and some arising during implementation) which have made it possible or likely that allocation will not be pro-poor. There is evidence from many areas to suggest that households that are more prosperous, that have more labour and can generate more income have been able to acquire extra land (Beresford 1990; Luong and Ungren 1998). To a certain extent this trend is rooted in the original legislation itself. Under Decree No.10 agricultural land was initially distributed within a commune in two or three rounds with the first round allocating enough for basic consumption, the second round giving more to families who could farm more efficiently and effectively, and the third round going to those who would bid for the land (Le Cao Dong 1995). Similarly, with respect to forest land allocation, criteria for being able to use land effectively often included the number of labourers in the household. Many of the inequalities in land holding have been the result of differences between households in their ability to negotiate their way through this process or to fulfil such requirements<sup>54</sup>. There is also a strong geographical variation to the pattern of outcomes in land policy: This theme of the

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different land use planning, tenure and usage rights apply. The adjudicatory responsibility for approving land certificates rests with the Province and/or District People's Committees. All decisions over land conversion under two hectares are made at the provincial level, and only the City or the Provincial People's Committees have the right to change the land use.

<sup>54</sup> A fisherwoman in Tien Yen District, Quanh Ninh Province: "We do not have forest land, only professional farmers or foresters get forest land. We do not have paddy land because we were fisher-folk so they did not allocate paddy land to us" (Interview, Tien Yen District, 1999).

importance of sub-national government Government in implementing national policy, and the divergent regional outcomes that result, is addressed below.

**Table 2 The poverty impacts of land allocation policies of the 1980s and 1990s**

Features of the land allocation policy	Impacts of land allocation policy
<b>Pro-poor impacts</b>	
◆ Equitable elements of land allocation: policy limits on area allocated; variation in areas according to land type; policy of redistribution and residual land stock.	→ Equitable distribution of land resources.
◆ Long-term contracts and profit accruing to the private landowner.	→ Increased security which allows a shift to long-term livelihood strategies and improved productivity and improved standard of living.
◆ Credit available with land certificate as collateral.	→ Increased access to credit and increased standard of living.
◆ Increased output.	→ Multiplier effects on the local economy.
<b>Anti-poor impacts</b>	
◆ Preferential land allocation to those with capital for investment.	→ Inequality in land-holdings and land distribution
◆ Households omitted during land allocation process, for example, only those present in a commune or carrying out farming activities at the time of allocation were allocated land. Scarcity of residual land.	→ Increased landlessness resulting in inequalities in land distribution and increased social differentiation.
◆ Transfer of land permitted.	→ Increased land concentration and inequalities in land distribution.
◆ Credit only available to those with land certificates.	→ Unequal access to credit.
◆ Tax increases; permitted changes in land use (e.g. conversion to shrimp) which require high capital investment.	→ Need for increased capital for productive use of land.
◆ Deviation from policy: reported corruption and favoritism in land allocation process. Redistribution of land no longer carried out so that land acquisition is only possible by purchase. Ceilings on land-holdings no longer enforced.	→ Preferential allocation of land resulting in inequality in land-holdings. Increased landlessness resulting in inequalities in land distribution and increased social differentiation. Increased land concentration and inequalities in land distribution.

It is notable that successive revisions and adaptations have been made to the regulatory framework at national level throughout the 1990s in response to such issues arising from application of these policies, and to emerging political concerns over land. Revisions to the Land Law were promulgated in 1993, in 1998 and again in 2001, with a further revision currently underway in 2003. Similarly, progressive

adjustments have been made to augment and give detail to sectoral guidelines on land use planning and certification and the institutional arrangements for implementing these guidelines (see Box 9 on urban areas)<sup>55</sup>. Recent policy measures have increasingly concentrated on the commercial use and leasing of land – reflecting emerging issues surrounding commercialisation, as well as increasing concerns about the consequences of this on the poor in both rural and urban areas. be used to secure

### **Box 9 Pro-poor land policies in urban areas**

Since the first unified Land Law in 1988, urban land administration has attempted to reconcile urban needs with land legislation that is preoccupied with, and designed for, rural policy. It has attempted to accomplish this in the context of increasing land pressure and muddled ownership rights in cities. Urban land is seen as a good investment by the elite, resulting in a situation ripe for speculation. Land on the edge of Hanoi and Ho Chi Minh City is reaching huge prices. In 2001, CPLAR estimated urban land in prime locations to be worth up to 4000 USD per m<sup>2</sup>. However, much of this market in urban land is informal: ‘unlawful land allocation’ is deeply entrenched, due to high allotment fees, complex procedures, incomplete cadastral mapping and the fact that few benefits accrue from having land titles.

One set of reforms has sought to rationalise the allocation of powers and responsibilities. Prior to 1994, the Department of Land Administration (DLA) was responsible for issuing land rights for rural land and Ministry of Construction (MoC) for building ownership in urban areas. After 1994 DLA and MoC began to issue joint certificates. Ho Chi Minh City, Hanoi, Haiphong and Danang housing departments have now been amalgamated to facilitate the issue of Building Ownership and Land Use Certificates. Decree No.93 (2001) - which gave HCM City management autonomy over socio-economic planning, land administration, infrastructure development and processing land rights as well as power over the level of land prices - set an important policy precedent in giving urban administrations control over decisions.

There have been recent limits on conversion and transfer of land in peri-urban areas of Ho Chi Minh City and Hanoi, including the revocation of the allocation of ‘unused’ land. Instruction No.12 of the Hanoi Municipal People’s Committee, for example, attempted to rein in a speculative boom in agricultural land transfer (e.g. by outlawing the purchase of forestry and cultivated land for other purposes). This was accompanied by attempts to retrieve illegal land. In 2002 an urban housing policy was introduced by the Department of Land and Housing in Hanoi and Ho Chi Minh City. This policy was intended to be pro-poor and to take control of wayward local Government by charging commercial land users a land use fee, but waiving this for pro-poor housing. However it has been admitted that “the outcome of the first steps of this has been different to our intentions” as ultimately the process has been of benefit to the commercial sectors and urban elite.

*(Source:s: AusAID 2000; CPLAR 2001; World Bank, 2003; Vietnam News Briefs, 2002)*

A particular concern at national level has been the slow pace of land certification, especially in urban and some upland areas. It is estimated that by 1997 around 44% of rural land users had been granted land certificates but only 3% of urban property holders, while by the end of 2000 these figures stood at 90% and 16% respectively

<sup>55</sup> With respect to forest and agriculture land for instance, a series of Government Decrees have been issued on agriculture land allocation in 1992 (Decree No.64), forest land allocation in 1994 (Decree No.02), on forest contracting in 1995 (Decree No.01) and on forest land allocation and leasing in 1999 (Decree No.163) to name just a few.

(Do and Eyer 2002). With regard to forest land, official figures suggest that by 2001 around 73% of eligible forest land had been allocated, although it is likely that only a limited proportion of this has been taken to formal certification. Repeated interim legislation has been made from the highest level to speed up this process<sup>56</sup>.

Urban land management is a special case in regard to land policy and its connections to poverty reduction. The state is keen to extend the principle of 'land management' to all urban areas in order to control illegal construction and transfers. Observers are however divided in their opinions regarding the pro-poor benefits of this policy. Much of the pressure for formalisation and regulation of urban land management appears to come from corporate investors who wish to avoid the risks associated with informal land transfer, and who face problems as only titled land can be used to secure loans. Land management is also in the interest of the Government, as land tax is a dependable revenue source (because it is hard to avoid) and registration and titling would obviously increase the efficiency of this revenue collection. However, land titling may disadvantage many householders and there is little incentive to pay the fees for registration: untitled transfers are untaxed, and generally secure enough to justify large investments. There is a vibrant unofficial land market for untitled residential dwellings, levels of disputes are very low, and land users are entitled to compensation for compulsory purchase. It would thus appear that land titling primarily benefits those outside of the community such as commercial investors.

## Dividing the benefits of forest protection and development

The health and land sectors display many similarities in the way in which a rather muddled process of policy adaptation has taken place in response to the broader economic reforms and emerging poverty issues and outcomes on the ground. Policy-making in the forest sector presents a contrasting picture.

Firstly, there has been a more constant set of "governing principles" underlying both the content of policy and the way in which forest policies are formulated and put into action.

Secondly, there has been both a more limited expression of the linkages between forestry development and poverty reduction in the on-going policy debate, and resistance to implementing certain pro-poor strands of policy on the ground. High-level policy documents – for instance, the Forest Sector Development Strategy for the period 2001-2010 - speak about poverty reduction as being an integral part of the mandate of the sector. Yet even in these statements, the poverty reduction agenda is somewhat subsumed in the multiple other functions of the sector<sup>57</sup>.

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<sup>56</sup> Aas reflected in the Prime Minister's Instruction No.10 (of 1998) on strengthening the fulfilment of land allocation and providing land use certificates, and Directive No.18 (of 1999) on measures to complete the granting of land use certificates by the year 2000.

<sup>57</sup> In the objectives of the Forest Sector Development Strategy it is stated that: "the forestry sector has to strengthen forest resource protection, restoration and development, ensure environmental and ecological security for the country's sustainable development; develop advanced processing technology to gradually secure sufficient supply of forest products for domestic demand and export. In the meantime, the sector has to contribute to the socio-economic development, poverty reduction, ensure political security in mountainous, remote areas, create employment, raise the income of people..." (MARD, 2002).

This underdevelopment of the policy linkages between forest management and poverty reduction is problematic, as poverty issues are clearly relevant to forestry policy, and vice versa (see Box 10).

#### **Box 10 Forests and poverty in Vietnam**

Rural poverty in Vietnam is concentrated in regions (the Central Highlands and Northern Mountains) with the largest amounts of forest cover and legally designated forest land. Co-mapping the household poverty incidence, the importance of ethnic minority groups as a proportion of the total population, and the proportion of forest land (or indicators of forest dependency) would reveal extremely close correlation between these factors in these regions. A broadly similar situation exists in the more peripheral parts of the Mekong Delta with extensive mangrove forest. In these areas, forest products and services are an essential source of livelihood support for poor households, and there exist highly complex institutional and management issues relating to people's access to and the use of these land and forest resources (*Sources: Blockhouse et al 2001; Shanks 2002*).

The differences in forest sector policy-making relative to that in the health and land sectors may be attributed to two main factors. Firstly, the more constant pattern of forest policy implementation may be related to the fact that for many years forest policies have been fashioned primarily through targeted programmes. Secondly, the way in which the resource management and land-holding functions of forest sector policy are structured in Vietnam mean that elements of the state have strong vested interests in the forest sector. Both these are discussed below.

## **5.2 Regional variations in policy implementation and outcomes**

### **Explaining regional divergences in application of pro-poor land policy**

There has been pronounced regional variation in the outcomes of land policy, as national legislation is interpreted flexibly, resulting in very different trajectories of local institutional and socio-economic change. This theme is reflected in the literature: academic research on land reform in Vietnam has explored the numerous ways in which local authorities and people react to and integrate changes in macro policy to suit local circumstances, while much of the project-oriented literature has been concerned with the practicalities of how to adapt national legislation and guidelines (on land use planning, and on land allocation and certification) to the diverse conditions found in different parts of the country (MARD, 1997).

Partly as a result of very different historical trajectories, the pro-poor features of the land allocation process described above have generally been far less rigorously enforced in the south and central highland regions. In the absence of these features, land allocation has in many instances increased socio-economic differentiation, as manifest in increased land concentration and landlessness in the Mekong Delta. These outcomes have occurred for a variety of reasons: some are the result of a failure or inability to implement the policies effectively, while others are a result of corruption and misapplication of the policy. In areas of rapid economic development (such as in coastal aquaculture and many urban and peri-urban areas) commercial interests obviously vie with equity concerns. In many remote upland areas, by contrast, the sheer magnitude and logistical difficulty of the task of land allocation, combined with overlapping forms of land use in upland farming systems, has meant that certification has progressed slowly.

The official land ceiling varies between two hectares in the northern and central provinces and three hectares in the south (Marsh and Macaulay, 2002). Often, however, these are not enforced. Farm sizes vary across the country but they are highest in the Mekong Delta. The distribution of land was more equal in the north pre-reform and this may have made it easier to get more efficient assignments of land use rights (Ravallion and de Walle, 2001). Land accumulation started in the Mekong Delta in the mid 1980s with people paying for land and acquiring land over the limit. This has led to a groundswell of pressure and support for 'economic farms' which allow a higher limit on land (Marsh and Macaulay, 2002). In addition, in many communes, redistribution of land has not occurred since the 1993 Land Law revision, and the only attempt to regulate land holding size is through taxation. A local official noted "We did allocate some land to people but in most cases people reclaimed the land themselves. Later we just regulated the tax, for example if someone has more than three hectares he may have to pay a higher tax" (interview with Secretary of a Commune People's Committee, Ca Mau Province, 1999).

In the Mekong Delta land accumulation occurs slowly and differently from other areas. Farmers only use transfer-rights if they have off-farm activities and can see an opportunity for better economic prospects off farm or are forced to do so by poverty and debt (Chung, 2000). In the south there is also less fragmentation of land. Be (2002) suggests this is because people were less concerned with equitable distribution and negotiations and so the district were able to balance the size of the allocations according to the quality and people were given consolidated parcels.

The percentage of landless farmers is increasing most notably in the south (World Bank, 2003; Vietnam News, 1999, de Mauny and Vu, 1998; Lam, 2001). In the Mekong Delta the land allocation process had failed many people and it is estimated that tens of thousands of people have mortgaged their land or have no land to cultivate (Thayer, 1998). In this regard, there are differences between safety net institutions in the north where families will rarely sell land in times of crisis and local authorities try to protect this happening, whereas in the south many families resort to such strategies. Renting and loaning land use rights are also more common in the delta and central Vietnam (Kerkvliet, 2002). This difference is said to be a legacy of the long period of collectivisation in the north (Ravallion and de Walle, 2003). In addition the equitable allocation made it easier for land transactions to be made on efficiency grounds whereas in the south land is more likely to be held as an insurance.

### **Growing regional inequalities in the financing of basic services**

Under *doi moi*, growth rates between regions have diverged dramatically. Economic growth has been concentrated in the Mekong and Red River deltas, with the central provinces and the Northern Mountains experiencing much slower growth. This has had important consequences for the equity of social service provision. Wealthy Provinces and Municipalities obtain a much greater proportion of their total revenue, and total health expenditure, from their own taxes: poorer Provinces, by contrast, are only able to raise a modest amount of local revenue, and so are more heavily dependent upon transfers from the central government. As a result, by the late 1990s there were dramatic geographical inequalities in p.c. health spending (ranging in 1998 from a low of VND 20,000 p.c. p.a. in Nghe An/Nghi an, to a high of VND 313,000 p.c. p.a. in Da Nang) – effectively mirroring Provincial variations in p.c. GDP (World Bank *et al* 2001: 180; Deolalikar 1999). The upshot is that in terms of

public health service provision, it is far better to be poor in a rich Province than it is to be either poor or rich in a poor Province.

### **5.3 The dynamics of interaction between central and provincial levels**

Apart from being highly iterative, land policies also display a pattern of fairly quick and specific response to emerging issues. One noteworthy aspect of this responsiveness is that, once a problem is regarded as serious by the national Government, the centre is likely to assume responsibility and control over setting the policy direction. Given the sensitivity and political importance of land issues, there is a centralising influence in that key resolutions and directions are set by the higher levels of Government and by the Party. This was clearly seen, for example, in response to disturbances in the Central Highlands in 2001, which were at least partly related to issues around land access, in-migration and the expansion of commercial commodity crop production into ethnic minority land areas. In response to these problems, legislation was introduced through Prime Minister's Decision No.132 in 2002 on the allocation of land to ethnic minorities in this region specifically<sup>58</sup> and land – together with ethnic minority and religious issues, were high on the agenda at the most recent Plenum of the CPV Central Committee (see Box 11).

Decisions such as that which addressed ethnic minority land rights in the Central Highlands can be regarded as interim measures, designed to provide an immediate fix to specific problems while the Land Law revision process seeks to provide more fundamental adjustments to the broader principles and basic provisions. They also clearly demonstrate the willingness of the centre to step in and take the lead on policy-making when it appears that a problem threatens social order and the legitimacy of the Party-state. Yet at the same time, the previous (2001) revision of the Land Law had further increased the powers of local authorities (Marsh and Macaulay 2002) and the influence of the local government administration in magnifying or dampening the effect of reforms at the local level. This remains a key feature of land policy and results in a situation whereby even adjacent provinces can have very different interpretations of the Land Law. The flexibility of national policy allows adaptation to local features and in all cases the Provincial and District People's Committees have a major official role in developing locally adapted land policies. This was heavily stressed in interviews with MONRE (February, 2003) where it was said that: "the role of the central level is only to develop general policy ...interpretation of policy is carried out at the local level".

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<sup>58</sup> This regulates the need to ensure that production and residential land is allocated to ethnic minority households to stabilize their livelihoods, that households with no residential land shall be assigned such land, that the state may purchase land or reassign State Forest Enterprise land for this purpose, that land allocation to these households will be complete by 2003, as well as applying minimum levels of land to be allocated.

### **Box 11 Asserting central political control over the land agenda**

In the speech at the opening session of the CPV Central Committee in January 2003, the Party General Secretary stated that "...land policy is also an issue of great importance, as it relates to various domains including economic, political, and social aspects. Our party and state as well as the people have always paid serious attention to land policy. Correct land policy is considered a good motivation of resources that can result in successes for the revolutionary undertaking...The CPV Central Committee is required to make in this plenum a comprehensive evaluation of the policies and regulations on land in both terms of contents and implementation of the policies as well as the real-life activities relating to land that have been going in society in recent years. Plenum delegates need to concentrate on the evaluation of land policies from 1993 until now so that they can confirm the stipulations that remain appropriate on the one hand and point out the issues and problems that need to be redressed on the other. The decision made here will constitute the groundwork on which the National Assembly can prepare necessary adjustments and revision for the new Land Law."

## **5.4 Ideology and interest as influences upon social policy**

### **Political discourse, poverty and entitlement**

The first section in this chapter emphasises that there is a fundamental orientation towards the needs of the poor which is apparent in all sectors of public policy in Vietnam (albeit stronger in some sectors than others). However, the criterion of poverty is not the only basis for entitlement to state goods and services. Within Vietnamese social policy, some social groups are accorded a privileged status as a reward for past service and sacrifice to the socialist state and the struggle for reunification, rather than for current poverty.

The understanding of what is meant by poverty – its nature, its causes, and its political implications in terms of the obligations of the state and non-poor groups in society to assist the poor – varies widely between and within cultures<sup>59</sup>. The way poverty is understood by donors overlaps to a significant degree with the way poverty is understood within Vietnam – both within the political system and also to a large degree within society<sup>60</sup>. However, there are points at which the donor discourse of poverty does diverge from that of the Vietnamese political system, and

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<sup>59</sup> OECD nations have, for several centuries, and continue today to debate about the possibility or morality of distinguishing 'deserving' from the 'undeserving' poor; about the degree to which families, communities or the state are obliged to address poverty; and the degree to which help provided to the poor can be made conditional upon them adopting certain types of behaviour. At an international level, the 1990s witnessed a great deal of intellectual effort invested in developing a consensus understanding of poverty and poverty reduction that was broadly shared amongst multilateral and bilateral donors and INGOs (see for example World Bank 2000; OECD-DAC 2000).

<sup>60</sup> Obviously, there are also considerable differences *within* both donor and Government camps as to what is understood by poverty and its structural (rather than immediate) causes. Equally important is the fact that discourses are not timeless: thus the explanation for poverty in the political discourse of the Government now places less emphasis upon class exploitation, and more upon other factors. The World Bank on the other hand now explains the occurrence of poverty by reference to a broader and more subtle range of factors, whereas in the past they might have relied predominantly on a discourse of over-regulation, public sector rent-seeking and state suppression of markets to explain poverty.

it is helpful if all parties involved understand where these differences in perspective are likely to occur and what they imply for policy. This section discusses two instances in which discourse – that is, a combination of a way of seeing things and a set of values – have may have marginalised certain socio-economic minorities: namely, those labelled as being engaged in “social evils” and illegal urban migrants.

In Vietnam, the Party-state ideology that provides a strong underpinning to pro-poor policy-making in general includes within it a discourse of socialist ethics and morality, which in turn frames some social issues or economic activities – and the specific poor groups involved or otherwise affected – in terms which emphasise their undesirability and illegality. The resulting policy mix thus includes strong imperatives towards surveillance, control and deterrence, as well as need.

The case of HIV/AIDS provides a particularly good example. Because the first case of HIV/AIDS was identified at a time when drug use and prostitution were on the rise, a link between the illness and activities the Government labelled as “social evils” was established and sustained for many years. Particularly amongst the older generation within the Party, and the politically conservative grouping within this generation, there was and is a deep concern that economic liberalisation would expose Vietnam to the social problems associated with capitalist societies. As a result, policies providing for HIV/AIDS preventive health measures were from an early stage subsumed within legislation which aimed (with limited success) at regulating “social evils”. This has had direct and indirect effects both upon poor and marginal groups (and society as a whole). Commercial sex workers – typically poor women with limited alternative livelihood options – have received medical assistance under Government policies, but have also been punished. This creates disincentives for such women to seek out state assistance in protecting themselves against contracting the disease, or, having contracted it, from treating its symptoms or preventing its transmission. As long as vulnerability to HIV/AIDS is presented as largely synonymous with prostitution, homosexuality or intravenous drug use, groups (both poor and non-poor) who do not fall into this category are less inclined to see HIV as a problem for them, and thus less likely to take precautionary measures against contracting the disease<sup>61</sup>.

It is important to recognise that GoV’s policy with regard to HIV/AIDS control amounts to much more than *just* an effort to repress social evils. To its credit, Vietnam has recognised the potential danger of the virus, and has complemented the rather blunt “social evils” campaigns with a range of preventative health, health care and welfare policies. However, the persistent association of HIV/AIDS with social evils – in other words, the framing of a public health problem as a social problem or a problem of public morality - has made the promotion of public health messages regarding the spread of the disease less effective than they might have been, has contributed to stigmatising HIV-positive patients, and in doing so may have made surveillance less accurate. Officials reportedly hope to remove HIV/AIDS from inclusion in discussions of social evils in order to remove the stigma of the disease.

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<sup>61</sup> See Joint United Nations Program on HIV/AIDS – Vietnam Office ([http://www.unaids.org.vn/\\_PRIVATE/E\\_PAGE/home\\_epage.htm](http://www.unaids.org.vn/_PRIVATE/E_PAGE/home_epage.htm)); *San Francisco Chronicle* 24th November 2002. Indirectly, it could be argued that by making prostitution and related activities (such as karaoke bars) illegal, policy on social evils creates additional rent-seeking opportunities for individuals within local Government, with negative effects on the governance qualities.

However, this has been discussed for some time, and in the past HIV/AIDS control policies were de-linked from policies against social evils for a short period, only for the link to be re-asserted later (see Box 12).

**Box 12 Public health, public morals and policy: HIV/AIDS strategy and the suppression of “social evils”**

The first case of HIV/AIDS was detected in Vietnam in 1990. Since HIV/AIDS had been identified in neighbouring countries prior to this, the Government had taken some steps in preparation for its appearance in Vietnam, working with WHO since 1987 to establish a short-term plan for disease surveillance and prevention and, in 1990, create the inter-sectoral National AIDS Committee (NAC). Particularly in the early years, efforts to control HIV/AIDS were closely linked to the Government’s “social evils” campaign, an effort to wipe out prostitution and drug use. In 1992 the Government issued a decree requiring all commercial sex workers, IV drug users, homosexuals, prisoners and certain travellers be tested for HIV. The Government also issued Resolutions No.05 and 06 on the prevention and control of prostitution and illegal drugs respectively. In 1994 and 1995 the CPV Central Committee also issued instructions in Directive No.33 on the control of social evils, and Directive No.52 calling on all levels of the Party to strengthen HIV/AIDS control through healthy lifestyles and abstinence from drugs and prostitutes. This directive still links the social evils campaign with HIV/AIDS. Although the Government would soon acknowledge that HIV/AIDS was a national problem, not just linked to certain social groups, in June 2000 the Prime Minister issued Decision No.61, creating the National Committee for the Prevention of AIDS, Drugs and Prostitution (NCADP) which merged “social evil” prevention programs with the National Committee for AIDS Prevention and Control, in large part in order to help the Prime Minister direct and co-ordinate AIDS, drug and prostitution prevention and control.

Although not directly comparable, there are some similarities in outcome between the treatment of groups marginalised by a state (and Party) discourse of immoral behaviour, and those marginalised by discourses that might best be described as “statist”. One such example is the position of those who have migrated and settled in new areas without the necessary official permission. The problems of residents in urban areas who are unregistered – and, in formal terms, “illegal” – have received particular attention. These migrants face particular vulnerabilities, as they cannot officially work without a residence permit, and face restricted access to social services – factors brought out as major problems for the urban poor in a number of studies<sup>62</sup>. Policy classifications such as these also create basic problems for the collection of policy-relevant poverty data, leaving policy-makers to navigate, if not blindly, then with partial sight<sup>63</sup>.

Apart from fostering inequalities by creating a social group that is marginalised and made vulnerable by policy classification, there is also an argument that such a system will over time act as a brake on economic growth. The system of household registration was originally introduced under a commandist, war economy, in which it served both to promote internal security and to facilitate the distribution of limited basic goods and services: it is however increasingly incompatible with a mixed

<sup>62</sup> These include the PPA and the grassroots consultations on the draft CPRGS.

<sup>63</sup> The Vietnam Living Standard Survey (VLSS) excluded unregistered urban migrants, resulting in a significant underestimation of urban poverty rates (SCF/UK, PPA from Ho Chi Minh City in Phan Thi Lan, 2001; Poverty Working Group 1999).

economy in which internal mobility is necessary if labour supply is to be responsive to changing market demands. The attraction of the system under the current circumstances is perhaps that it places limits on the requirement for Government – particularly the immediate, Municipal level of Government – to provide services (e.g. schooling, health care) to urban residents. As such it could arguably also be argued to contribute to keeping down the price of labour and thus to sustaining Vietnam’s comparative advantage in labour-intensive industry. To the extent that it does provide a disincentive to migrate to the cities, it also acts as a control upon the rate of urbanisation, the social problems associated with such urbanisation, and the need for the Government to invest in expensive urban infrastructure.

However, given that the Government has an explicit pro-urbanisation policy as part of its long-term development strategy (there is a target to increase the urban share of the population to over 40% over the coming decades), the costs of a large population of unregistered urban residents increasingly seem to outweigh the benefits. If an industry- and services-based urban economy is to develop, it is essential that migrants to urban centres are provided with the right to access social services (education, health, and social protection or HEPR entitlements). There are indications that policy on the entitlements of illegal urban migrants has begun to change. In the CPRGS, the Government has announced that it will “create access to basic social services for all urban people, including unregistered migrants [and] develop measures to help poor people find jobs in urban areas”. In addition, the Government will “review labour migration policy and household registration policy to make it easy for people to move to better-paying jobs”<sup>64</sup>. This is an important decision: it will entail an increase in the level of demand for urban social services, and place a strain on the budgets of urban Governments. It is however necessary, both to provide the mobile and flexible labour market Vietnam needs to develop, and to provide migrants to urban centres with the same rights and securities as other citizens<sup>65</sup>.

By contrast to the two groups described above, some social groups are explicitly favoured by Government policy. Preferential treatment of “policy” households is rooted in legislation such as the Ordinance on the Preferential Treatment of Revolutionaries, Fallen Heroes and their Families, War Activists and People with Meritorious Service to the Revolution, and once again is justified the discourse of socialist morality and related to north-south tensions. These “policy” or *chinh sach* house-holds are veterans, war invalids or in some way connected to the Communist Party. In research carried out in one SFE in Ca Mau Province (Luttrell, 2001), it emerged that despite the stated pro-poor intentions by SFE officials when describing the criteria for choice of households to receive land, most of the households who received the land were forest enterprise staff, war veterans or Party members. Where such groups predominate, preferential treatment for “policy households” is not much use in allocating scarce resources, but does mean that any

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<sup>64</sup> SRV 2002 p. 132

<sup>65</sup> An interesting parallel is China. The PRC has also recently started a (gradual) move from a system of residence permits – which was used to administer social security and manage population movements and labor supply, but which contributed to the vulnerabilities of migrants in the towns and the oversupply of labor in the countryside – to an employment registration system based on social security numbers (Viet Nam News Thursday 30<sup>th</sup> August 2001).

poor households that do *not* fall into such groups are extremely unlikely to receive benefits. As one forest farmer noted:

‘The first time they allocated the forest in 1986 they allocated the land to staff from the forest enterprise and commune and then to *‘chinh sach’* households. We are all veterans, invalids or households who have had someone die in the war. I myself was allocated a lot of land after coming back from [fighting in] Cambodia... All the *‘chinh sach’* people in this province applied... There were so many application forms even a boat would not have been enough to carry them all’.

### **Institutionalist perspectives on the policy process**

In some sectors of the economy, elements of the state are direct stakeholders – that is, they are involved as economic actors in production and exchange. This can inevitably influence policy interpretation and outcomes. This is most obvious with regard to state-owned enterprises (SOEs). In the forest sector, State Forest Enterprises (SFEs) still hold around 40% of forest land (World Bank, 2003) and considerable areas of protection forest are under the jurisdiction of the Forest Protection Branch. In forest-rich provinces, the forestry lobby is therefore an important political constituency, both historically and through the large number of well-educated forestry professionals on the ground. These factors, combined with the local institutional complexity of the sector (such that households, communes, forest enterprises, commercial interests and the forest protection service may all have a stake in forest management within a given area) results in a situation whereby the effective nexus of policy-making in the sector lies in the competing environmental protection, economic and livelihood demands and interests at the local Government level.

### **5.5 Use of targeted programmes**

Targeted programs have been one of the main mechanisms through which the Government has sought to realize policies on poverty reduction and to address the needs of poor areas throughout the 1990s (e.g. through Program 327 in forestry, Program 135 for infrastructure investments in poor communes, and the umbrella Hunger Eradication and Poverty Reduction (HEPR) programme). The frequently stated rationale of the Government for adopting such programmatic approaches is in order to “concentrate and focus policies and resources”, to “increase efficiency” in areas where service capacity is low, and to reduce the “points of contact” for local officials and citizens in order improve the outreach and access to services and other forms of assistance. Critically, these target programs also represent one of the main redistributive mechanisms of the Government through fiscal transfers from the national budget.

Apart from a technical rationale, the preference for target programmes also reflects a certain “style” of policy-making. Policy during the socialist period relied heavily upon exhortation and popular mobilisation through a “campaigns” approach to the solution of social and economic problems, and target programmes reflect this legacy.

The target programmes thus remain a very important element of pro-poor policy-making, embedded in an established political tradition and its associated institutions. In effect, these programmes represent one of the main mechanisms by which the

Government uses public funds to effect redistribution in favour of the poor. However, there is a growing debate (prompted by some donors) about whether such target programs are necessarily the most effective strategy for tackling the forms of poverty that are emerging in the current economic situation; or whether alternatives - for instance, the revision and strengthening of basic social relief and safety-net policies and systems - would be more appropriate in addressing the needs of the poor within a mixed and (hopefully) expanding economy.

At the same time tensions also arise between the need to put into effect coherent sector specific policies on the one hand, and the need to promote greater complementarity and coordination between sectoral policies and services in order to have a beneficial impact on poverty on the other. The weak coordination, management, supervision and monitoring of the multi-sector national target programs is a recognised cause for concern.

Despite these concerns, it is likely that such target programs will continue to be the mainstay of the Government's approach to implementing pro-poor policies in the foreseeable future. (The review and revision process for Program 135 and the HEPR are already underway in preparation for the next phases, scheduled to begin in 2006). In this context, it is unfortunate that there are generally only weak linkages developed between donor-supported initiatives and structures for the implementation of the main poverty reduction target programs of the Government<sup>66</sup>. Given the volume of public resources channelled through the target programmes, there is a strong case for donors to engage with them in order to assist the Government in improving their poverty focus and effectiveness. There is also a good case to be made that the geographically-targeted Programme 135 – which is essentially an infrastructure-led area development programme – might provide a good vehicle for the “rolling out” of the national CPRGS to Provincial and sub-Provincial levels. .

The following example of a major intervention in the forest sector illustrates some of the internal dynamics that often play out within these target programmes, and the way that the poverty content of such a programme and its relationship to sectoral goals may shift over time.

### The marginalisation of poverty goals in forestry: Programme 327

One reason for the more uniform implementation of forest sector policies (relative to, for example, health or land sector policies) has been the fact that it has been framed as a “campaign approach” - Ho Chi Minh's edict that “*forests are gold*” still stands prominently on political posters in many province and district towns – and implemented through “targeted programs” aimed at reforestation and forest protection. The major public sector investments in forestry over the last decade have been through two large nationwide target programs (Program 327 between 1993 and 1996 and the 5 Million Hectares Program from 1997 onwards) that have dominated sectoral planning and served as the main instruments for putting policy into practice.

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<sup>66</sup> The health sector is a notable exception: as in many countries, a number of donors have found it highly attractive to work through vertical programmes. This is described in more detail below.

The major forestry program in the early 1990s was Program 327. The goals and objectives of this nationwide program were initially broad and ambitious, covering improved land utilisation (in agriculture, forestry, fisheries and agro-forestry), with a strong focus on household economic development. In Government Decree No.327 (from 1992) it was stated that:

“ ...all economic sectors...are to participate in the projects on the use of vacant lands, bare hills and mountains, and forests, to set up the projects and make use of all land...to regard households as production units...Establishing a close relationship between households and communities and with other state and collective economic units in the region, in order to strongly develop production, and ensure the benefits for every household.”

As originally conceived, therefore, Program 327 was not specifically a forestry program but one aimed at wider socio-economic goals, incorporating intentions to support farm households living in forest-dependent areas. However, from an early stage it became associated primarily with forestry policies.

Program 327 was carried out through a series of around 1200 sub-projects, managed by the province or district authorities, and implemented primarily through the SFEs (as the project owners). Funding came mainly from the national budget and was initially limited (around USD 11.7 million in 1993) but substantially increased to USD 56.4 million in 1995 (ADB, 2000). According to the original policy decision, around 60 % of the funds were intended for infrastructure, forest planting and protection, and project management. This included farmer contracts for forest protection, or for establishment and tending new plantations (with a payment of around 50,000 VND per hectare per year). The remaining 40 % of project funds were intended for households as recoverable loans without interest. In practice, however, these loans usually took the form of ‘in-kind’ agricultural production inputs subsidized by the project owners.

Following Government Decision No.556 (of 1995), program funds were concentrated more directly on forest establishment and protection, and the proportion of funds allocated to household loans was substantially reduced from 40% to 12% - thus shifting a greater proportion of the funds to cover the SFE operations. Prior to this it had already become apparent that one main constraint in the program was that organisations such as state enterprises were given the role of acting as credit managers without the necessary administrative capacity, skills or legal mandate to do so effectively (MARD, 1996).

Evaluations of Program 327 revealed that while the program achieved considerable success in several provinces in reversing the trend of deforestation, there were critical managerial and technical weaknesses in implementation (Fortec 1998). The major technical success of the program was in natural regeneration of protection forest. As indicated above, farmers were supported with protection contracts to close-off regeneration areas, which led to impressive re-growth in many parts of the country. The success gained in natural regeneration led to an important shift in Government policy to devote greater resources to this form of forest management. However, it also implied a need to reassess the way to achieve economic benefits for farm households (ADB, 2000), since once protected areas are closed-off and regenerating, it becomes essential to actively manage them in order to both enhance the protection function and as well as to maximise the availability of side-products

for households. This led on to the intensive policy discussions that are currently taking place on benefit-sharing arrangements.

It could be argued that the decision taken in 1995 to narrow the focus of Program 327 onto the preservation and restoration of forest resources represented a 'de-linking' of forest sector activities from the poverty reduction agenda. The Forest Development Strategy (2001-2010) reflects that one main advantage of Program 327 was that: "...households were targeted for investment and the credit scheme..." and that the "... benefits of stakeholders were clearly stipulated" (MARD, 2002). At the same time, it also states that one weakness of the program was that:

"In many provinces the program was considered as a poverty alleviation program, therefore, investment was scattered, the investment rate was set on an average basis, loan disbursement was slow, and the repayment regulation was not clear and strict".

A revealing aspect of this statement is that it highlights a tension between broad-based poverty alleviation efforts in upland and poor rural areas, and the need for concentrated investments on forestry protection and development. Subsequently, the broader socio-economic objective of the Government for these remote rural areas was re-formulated in the National Target Program 135 (the *Program on Socio-economic Development of Communes Facing Special Difficulties*). However, while Program 135 focuses on upland communes in which forest land is the major resource, it does not include a forestry component and forestry continues to operate through a separate sector specific program.

## Vertical programmes in the health sector

A major drive in the development of healthcare services over the reform period has been through the expansion of national preventive healthcare and family planning programs. These programs are operated vertically through the Ministry of Health and have adsorbed a significant proportion of both state budget allocations and donor assistance to the sector. It is estimated that expenditure on health increased from around \$12 p.c. p.a. in 1993 to \$19 p.c. p.a. in 1998, approximately 50% of which was devoted to these national programmes and operation of local health facilities and services (Vietnam Development Report 2000).

In a chicken-and-egg process, the Government's preference for delivering much of its health services by means of vertical programmes has helped to make them attractive to donors. In the period between 1990 and 1998 over 60% of donor funds committed to the sector were also channelled through 10 national programs (ADB 2001). Reasons given for the prevalence of donor funding through these programmatic structures include their clearly defined public health mandate, and the ease of disbursement through the vertically aligned management and delivery systems.

It is recognized that these programs have achieved considerable success in controlling the spread of communicable diseases and expanding the provision of primary healthcare, as reflected in public health indicators for the population as a whole (Do Nguyen Phuong 2000; World Bank *et al* 2001). Effective implementation on the ground has been attributed to the fact that the province health services and Commune Health Centres have benefited from the assured funding through these

programs for equipment, supplies and training, and to the involvement of the mass organisations in raising public awareness around them. Consultations carried out with local communities also reveal that these programs have been generally well received and successful in reaching their intended beneficiaries and poor groups (CECI 2000; Shanks & Turk 2002). However, the domination of the health sector by donor-assisted vertical programmes has made it harder for the central Ministry of Health (which is one of the most under-staffed of the core Ministries) to develop the capacity necessary to establish a strategic policy vision for the health sector, and to adequately address key questions such as the role of the private sector or the funding of Commune-level health care.

## 6 Opportunities and recommendations

### 6.1 Summary of findings

Since the mid-1980s, the Government of Vietnam has overseen a remarkable decline in poverty. In policy terms, this has been driven primarily by an unusually broad-based economic growth, a phenomena attributed to the fact that economic liberalisation was played out in a society in which initial assets (notably land but also the human capital created through public education and health) were widely and equitably distributed. It is important also to remember that donors and aid played at best a marginal role in the major policy changes and the dramatic achievements in poverty reduction that occurred in the decade following the introduction of *doi moi* in 1986.

While the achievements of the last fifteen years have been spectacular, there have inevitably been some losers from liberalisation, and these become more numerous as time goes on. A significant number of households (particularly in the south) are now losing land; and the poor are finding it harder to achieve access to public health services which have been struggling financially since the collapse of the collective system. The Government continues to attempt to respond to these problems, with a particularly intensive round of policy-making in the period 1998-2002 (the period leading up to the 10<sup>th</sup> Party Congress).

### 6.2 Recommendations for donors

#### Consensus-based policy-making necessitates developing a range of contacts

In relating to line Ministry structures, donors need to develop a diversity of channels into policy making-processes. At present, donors typically maintain just one or two points of contact (for instance with the International Cooperation Departments); and donor-supported projects are generally located within a particular department or project management unit. These departments or units do not necessarily have decisive or even significant influence over policy formulation. Especially in the context of the consensus-based model of GoV policy formulation, it is necessary to build and maintain a range of contacts in order to be able to better understand, and possibly influence, the evolution of policy thinking from a variety of mutually-reinforcing angles. This requires detailed knowledge of the institutional set-up of each sector, as well as investing time to build up these contacts and relationships.

On the same general principle, it is important for donors to cultivate insights into the policy process at different levels. It is concluded in this report that the policy process cannot be accurately described as either generically top-down or bottom-up in nature: both dynamics are at work, with the balance between the two varying over time and between sectors and provinces. In the iterative and frequently protracted period of debate and consultation leading to the production of new legislation and implementing guidelines, certain provinces or municipalities may exercise particularly significant influence, through, for example, *ad hoc* drafting committees. An external partner will be better placed to understand and contribute to policy debate if it is

aware of and engaged with the perceptions and interests of influential sub-national actors. This is problematic for donors which have, in an effort to act more strategically, consciously withdrawn from the minutiae of sub-national project implementation in a number of sectors. This point is related to, but subtly different from, the concern sometimes raised by NGOs, that donors which focus on national policy might be losing contact with policy outcomes on the ground.

The need to develop a range of contacts raises the issue of the importance of personal relationships, a point raised by Eyben (2003) in her recent work on policy influence in China. One of the strategies that was arguably employed with some success in the CPRGS process involved development partners engaging (largely through the Poverty Task Force) with key individuals in line ministries to champion the cause of medium-term and inter-sectoral anti-poverty policy-making. This suggests that the targeting of individuals may well be effective as an entry point to policy influence. However, there are obvious concerns that the approach (of concentrating efforts on building relationships and dialogue with a few key individuals in each major institution) is ultimately not the best approach - *particularly* in the consensus-based system of Vietnam, in which policy change relies upon a broad base of support. It may be highly unsustainable should the individuals in question move out of power or, as is common in Vietnam, move to or out of a province.

If the strategy of developing close working relationships *is* seen as an effective strategy, donors need to give thought to what kind of human resources are needed. Building and maintaining such contacts calls for increased staffing levels and more long term or national staff. It also requires a sophisticated understanding of policy systems. The opaqueness of much of the Vietnamese policy process highlighted by this study should serve as a warning signal to those planning to embark on influencing based on superficial policy analysis.

### Certain institutions are particularly important in the policy process

Within the broad panoply of actors involved in shaping the formulation and iterative implementation of policy, some stand out as deserving particular attention:

- While the Ministry of Finance is involved in all stages of policy formulation, its role becomes critical during the early stages of interpreting and implementing new policy initiatives. Detailed costing and financing mechanisms and procedures are usually explored and decided upon only *after* a particular policy or program has been approved. This can have a significant impact on how these decisions are implemented at lower levels. Donors need to engage with these issues and institutions at an early stage, particularly when working on the design and introduction of programs that will involve significant changes in the regulatory framework.
- In all sectors, specialized policy, strategic planning and research institutions have an established and important role in policy formulation at the national level. Donor support to such institutions is provided in some cases, but often through third party research and development projects. There is potential for greater and more direct donor engagement and dialogue with these types of institutions on policy matters.

- A range of intermediary agencies at the interface between the national and province levels – including sectoral research and training institutes - also play an important role in policy interpretation (for instance, through imparting information and guidance on new areas of policy). In the health sector in particular, medical and health service schools have an important role in updating policy knowledge to new and in-service medical staff and health-workers.

### Tracking policy documentation

The policy-making process in Vietnam results in a huge amount of published legislation, and an even larger amount of unpublished guidelines, which are used to keep Government officials abreast of the situation. The real impact of new legislation usually does not lie in the original policy statement, but in the follow-up guidelines and instructions that are developed and issued subsequently. This has a very practical implication for donors, which must allocate adequate resources to monitor and get to grips with this detailed documentation in order to adequately understand policy positions.

In the interests of coordination, donors might want to consider managing this collection and organisation of policy paperwork as a shared resource, either just with other donors or NGOs or, if Government is willing, with the Government. Given the complexity and consultative nature of the Vietnamese policy system, having a comprehensive archive of all public GoV policy documents might even be of benefit to some within Government. If the Government is not interested but a number of donors are, one option would be to review the existing development libraries available to development partners (e.g. the VDIC, the UNDP library, or the shared NGO library which already has the best collection of GoV policy documentation) and use one of these as a nucleus for a co-financed and comprehensive policy library. If individual donors are nervous about their ability to obtain the references they need as and when they need them, the documentation exercise could focus upon the creation of a comprehensive online electronic database of policy documentation: Government partners would be asked to supply electronic copies of circulated policy documents, or hard copies could be scanned in.

### Engaging strategically with targeted programmes

Many donors have strong reservations about the current effectiveness of many of the Government's targeted programmes (e.g. Programme 135). However, the Government continues to regard these programmes as in many respects the centrepiece of its anti-poverty policy: indeed, to a large degree, many Government officials appear to see these essentially compensatory or redistributive targeted programmes as *synonymous with* poverty reduction. This somewhat undercuts a more holistic and strategic policy framework within which direct, inclusive and targeted policy measures are all seen as part of an integrated response to poverty. This, indeed, is the crux of many donors' concerns: that these programmes absorb a large proportion of funds which might be more effectively allocated to different types of poverty-reducing actions; and multi-sectoral interventions do not always integrate as effectively as they could with sector development processes. Given that it is likely that such target programs will continue to be the mainstay of the Government's approach to implementing pro-poor policies in the foreseeable future (with the review and revision process for Program 135 and the HEPR already underway for the next phases to begin in 2006), donors are probably best advised to engage with

these programs in one way or other: without doing so they are unlikely to have much influence on the definition of a large component of Vietnam's 'pro-poor' policy.

In general, there are only weak linkages between donor-supported initiatives and implementation of the main poverty reduction target programs of the Government, and this is clearly an area where there is greater scope to influence the policy-making process<sup>67</sup>. One particular concern here is how interpretation of the CPRGS at provincial level is linked to the reformulation of these national target programs in the future. Program 135, for instance, can best be regarded as an area development programme (in that it focuses investments on specified geographical areas and promotes a decentralized planning and implementation approach). As noted by Farrington *et al* (2002), there is a potentially powerful new role for area development programmes in relation to the PRSP process, which is to inform national level planners and donors on equitable and efficient ways of prioritizing and implementing poverty-focused public investment and service delivery at the local level.

One specific possibility is thus that of relating donor engagement with the reformulation of Programme 135 to the CPRGS implementation agenda. An area-based programme such as Programme 135 has a potentially useful contribution to make to the development of modalities for multi-sectoral development planning, efficient channels for targeting central funds and capacity-building inputs to poor areas and groups, and increasing the transparency and accountability of local Government as a development actor. Given the choice, donors might not choose to approach poverty-focussed, geographically targeted development in the way that Programme 135 does: but, given that Programme 135 is likely to continue to be very important to the pro-poor policy framework of Government, it makes sense to engage with it, and to use this engagement as part of the effort to implement the CPRGS.

### Linking policy to practise: the rolling out of the CPRGS

A major area of concern lies in the institutional mechanisms for implementing the pro-poor policy actions set out in the CPRGS. The gap between policy statements and reality on the ground was, for instance, one of the clearest messages and causes for local concern that emerged from the community consultations on the draft CPRGS carried out in 2001 (Shanks and Turk 2002). Efforts are underway to take the CPRGS process down to province level and to link it to local socio-economic development planning processes. However, there is a danger that the CPRGS remains too heavily focused on policy and planning, while paying less attention to the critical institutional and practical difficulties involved in supporting local authorities so as to improve service delivery and the performance of projects and programs on the ground. The argument is not for devoting attention to implementation in preference to policy formulation: obviously, good policies are a necessary precondition for good implementation. However, it would be a mistake to invest a great deal of time in perfecting policies without investing equivalent time in

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<sup>67</sup> For instance, the Northern Mountains Poverty Reduction Project and the Central Region Livelihoods Project are both co-financed by DFID (with the World Bank and ADB respectively), and operate side by side in the same geographical areas with the Government Program 135, but with limited coordination. UNDP, however, is currently supporting the Government in the review and revision of Program 135 and HEPR.

identifying - and addressing - capacity constraints and patterns of incentives that militate against implementation.

There is potential for refocusing regional / provincial poverty reduction and development projects by relating them to the CPRGS process. This should certainly be the case with regard to Programme 135 and other national target programmes, as discussed above: but it could, and should, also include poverty-relevant Provincial or Municipal programmes. The roll-out of the CPRGS to Provinces and Municipalities is not something that will necessarily happen easily: it is thus something which donors, especially those which have been closely involved in the national-level CPRGS process, could constructively contribute. For example, there are doubts over capacity of local level to monitor implementation of the CPRGS as well as other policy reforms. Many of the barriers to improved consultation at the local level are rooted in the lack of capacity for facilitating participatory processes. Poor provinces rely on central funding which comes mostly through programs which have little scope for funding consultative functions. In most cases Communes have not been trained in implementation of the GDD (World Bank, 2003: 99) and there are few incentives for its proper implementation.

By testing approaches at the local level and supporting the analysis and dissemination of experience gained during implementation, a donor such as DFID could help to inform national-level planners and other actors (donors, national and international NGOs) of efficient and equitable ways to prioritise and implement poverty-focused public investment and service delivery. To help develop these linkages between policy and practice is an important recommendation for DFID in particular, given its co-financing involvement with large-scale World Bank and ADB financed projects.

## **Engaging at the interface between national and sub-national Government**

Crucial in terms of influencing policy are issues of implementation. Provincial and municipal levels are a critically important tier in the interpretation and implementation of policies resulting in a high degree of iteration and diversity of outcomes on the ground, and the Public Administrative Reform is increasing the importance of these levels. There is a need to involve the Province and the levels below in policy formulation and not just in policy implementation and interpretation as the system currently does, however in many cases capacity is lacking.

Decisions on what constitutes the appropriate level of decentralisation with which to work are complex. Strengthening of Province-level capacity may not lead to pro-poor outcomes, or at least not directly or in the near future. In many cases Provincial officials maintain a top-down mindset and ingrained attitudes to the poor: lack of capacity at the Commune level is often used as an excuse for the lack of delegation by Provinces and Districts (World Bank, 2003: 99). For example, many of the State Forest Enterprises (SFEs) are directly under the jurisdiction of the Provinces, so decisions made over activities such as forest land allocation or contract allocation in the SFEs often bypass the local District and Commune level structures (and inhabitants) in the decision-making process. In addition, projects with SFEs are often run directly through DARD, without the involvement of the District People's Committee

An understanding of the way regional variations based on historical and political traditions as well as agro-ecological contexts influence policy outcomes is essential for effective donor engagement at the sub-national level. National level policy is adapted not only by the relatively powerful Provincial administrations but also by informal forms of resistance and influence. The degree of Provincial influence in the national political arena varies. It is also recognised that some Provinces are more progressive in ways that others are not. It is therefore important for donors who are engaging with local authorities on policy matters or programme implementation to appreciate these differences in the style and strength of local leadership, and the way in which this can result in different attitudes and variable outcomes in relation to pro-poor policy<sup>68</sup>.

The high variation between provincial wealth and capacity, combined with the significance of personal friendships and networks, results in situations in which successful influence is often impossible to replicate from one Province to another. A further question is whether the values and motivation of officials in different positions remains essentially the same - or whether they are changing as officials perceive and pursue new opportunities under the reforms, whether through rent-seeking opportunities, or simply through more autonomous but nonetheless public service-oriented province- or sub-province policy priorities. Tackling this question is important for the ways in which donors should strategically approach the support of pro-poor policy shifts in the future.

### Engaging with multiple elements of civil society

Donor involvement with civil society requires a compromise on the part of the donors: as Pederson (2003) writes, “aggressive agitation for a western notion of civil society can have negative consequences for aid agencies”. Donors tend to look for concrete structures when trying to engage with civil society, which in the case of Vietnam is problematic, as most of the influence of Vietnamese civil society is found outside that of formal organisation. Donors continue to tend to equate civil society with NGOs as it is i) easier and ii) less politically sensitive for donors to engage with such organisational structures. Recent years have seen the emergence of (mostly Hanoi-based) research and training centres promoting themselves as NGOs, many of which are non-profit development businesses. They seem to operate autonomously but their existence often depends on personal relations with Party members or state bureaucrats. Such groups often prove invaluable as “translators” between the policy discourses of donors and Government and can act as good intermediaries between donors and local beneficiaries, but they should not be equated with civil society in the sense of organisations based in or even close to the grassroots.

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<sup>68</sup> These leadership factors combine with a range of other variable that influence the way in which policies are interpreted. These include: (i) the degree of reliance on transfers from the national budget and program financing as opposed to the availability of local tax revenue that can be utilized by the local authorities on a discretionary basis; (ii) attitudes and sanctions taken towards the use of public resources and corruption; (iii) the extent to which local authorities invest in human resource development and promote conducive incentive systems for local Government employees; and (iv) the presence of donor / NGO projects working the area, how effective they have been at developing useful models to work from, and the degree of influence they have had on local decision-makers.

An alternative (or complementary) approach is to encourage other forms of non-state or quasi-autonomous voices in the policy process. This might include, for example, developing the professionalism and expanding the role of the media, or strengthening existing accountability and transparency structures. As a strategy for engaging with non-state voices this is no less problematic, and perhaps no less elite-focussed, than is working with the think tank-type quasi-NGOs: however, it does serve to sustain a *plurality* of semi-autonomous actors, rather than pin all hopes on the research NGOs. Equally, despite the political objectives and top down command orientation of the mass organisations, in many senses they perform pro-poor functions (such as services delivery, the supply of microfinance and information dissemination) of a kind that in other countries would be associated with independent NGOs and civil society. There may therefore be pro-poor gains in strengthening the existing mass organisations to reach the poorest. This will present questions of principle and practicality for many donors: amongst other things, the mass organisations are after all channels for social mobilisation that serve to buttress the current system of one-party rule, which may give bilateral donors for whom commitment to democratisation some dilemmas.

### The role of pilots in an iterative and responsive policy-making process

One proposal which runs contrary to current thinking among many donors in Vietnam (and internationally) is to make use of pilot studies in influencing policy. The proliferation of donor-backed pilot studies is, rightly, regarded as a malign trend, and one of the common manifestations of a poorly coordinated national aid modality in which donor project aid undermines the core policy-making capacity of Government ministries.

*However*, in a political system which is characterised by caution and an interactive and responsive policy process, pilots may well create space for experimentation. They may also, perhaps paradoxically, give donors the legitimacy to engage in political issues. UNDP's pilot work on strengthening the People's Councils, to take one example, was the basis for the PAR programme, as lessons from this work were internalized into the strategy document for the national programme. The success of "fence-breaking" strategies and the tolerance of the Vietnam Government for experimentation on a controlled scale - emerges as a recurrent theme widespread in recent policy history (most clearly in the land sector). In many ways such pilots are seen as opportunities for the central Government to evaluate examples of policy experimentation or deviation in terms of both feasibility and impact. The lack of previous involvement in projects by some donors raises the question as to how these donors acquire and maintain knowledge on the changing policy situation and the implementation issues that are likely to be encountered at sub-national levels. It also raises the question of the lack of credibility and legitimacy of these donors to engage in policy issues. For many donors this is the route through which they have gained credibility in such issues. This is not to provide justification for an uncritical return to an unthinking, reflexive use of unsustainable, ring-fenced pilot projects designed, implemented and evaluated in isolation from the sector policy environment in which they must, ultimately, survive. Pilots should always be entered into carefully, with thorough consideration of the policy issues involved, detailed consultation with all other stakeholders and understanding of their incentives and capacities, and a plan (albeit a flexible one capable of adapting to circumstances that arise during the life of the pilot) for how lessons learned from the pilot are eventually to be mainstreamed into policy.

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# Appendices

## Appendix 1: Terms of Reference

### Pro-poor development and change

#### The policy-making process: how the poor influence policy and make claims on public services

##### 1 Introduction and background

- 1.1 DFID is aware that its knowledge and understanding of underlying political systems and the mechanics of pro-poor change are weak. A recent internal DFID paper for Asia Regional Policy Department (ASREP) emphasised that in order to determine the potential for pro-poor change in a particular country context, DFID should better understand the nature of power relations and the patterning of political accountability. Studies for Governance Department have indicated the need to understand not only the formal structures and historical context of political change, but also the way in which citizen voice is reflected – or not reflected – in the wider political process. This would help to identify the structures, interest groups and processes to which politicians respond, and the degree to which they are likely to be accountable to the poor. It is suggested that by understanding the particular incentives to which the holders of power respond, DFID might be able to better influence them in favour of the poor.
- 1.2 The core of the research is to assess the formal and informal decision-making process, political-bureaucratic relations, patterns of access to, and the role of patron-client relations in, the political process.
- 1.3 In the proposal, “policy” is understood in a broad sense as not only the espoused priorities of “the Government”, but also the processes by which such priorities are implemented.
- 1.4 There are two contracts to be let: one for India and Indonesia, and one for Vietnam and Cambodia. Two contracts are required in order that alternative approaches may be compared, and, given the importance of the local context, to maximise country-specific knowledge. The successful bidders will, however, be expected to work closely together to ensure the comparability of the results.
- 1.5 ***This document therefore invites bids from consultants for two pieces of work, but each having the same ToRs. One contract will be for the study in India and Indonesia, and the second will be for the work in Cambodia and Vietnam. Bidders should specify which country contract they are bidding for. While bidders are free to bid for both contracts, DFID consider that only in exceptional circumstances would one institution have the necessary knowledge and expertise in all four countries.***
- 1.6 The successful consultants must therefore have demonstrable team leadership, management and technical skills, relevant country and sector knowledge, and local contacts for much of the detailed work.

## 2 Background

- 2.1 Mainstream political science has argued for a long time that the gap between the role of the formal institutions of the state and the more informal political structures with which they are inextricably linked needs to be more clearly understood. In developing the concept of the “structuration” of the state, political scientists have advocated analyses that recognise the constantly changing sets of opportunities and constraints that affect the possibilities for action on the part of the different political actors.
- 2.2 Other recent work contains insights into the methods of including citizen voice in political processes. Such studies are concerned in particular, with the influence that individual men and women, and groups of citizens, can bring to bear on the design, delivery and assessment of service delivery by the state and the extent to which that is dependent, at least in part, on the nature of the political system – as demonstrated by the depth of procedural and substantive democracy, the configuration of executive/ legislative and judicial power, and the level of political participation.
- 2.3 What is crucial is an understanding of political agendas and political patronage systems such as will determine strategies for voices of women and men to be heard. The nature of the policy-making process – who makes policy – is central. One conclusion of recent thinking is that too many initiatives are taken by donors with an insufficient understanding of the underlying political environment in which reforms are expected. In particular, there is a failure to understand party-based patronage in the distribution of resources.
- 2.4 As part of the resulting work programme for ASREP, DFID proposes to undertake a study of the policy-making process in four Asian countries; one state in India (Madya Pradesh), Indonesia, Cambodia and Vietnam. The purpose is to analyse in more depth the incentives, social groups and forces to which policy-makers are responding, and which are constraining the state in providing the conditions for poverty reduction.
- 2.5 Each study will focus on the policy-making process and on policy implementation, and the dynamics of how to achieve higher priority in the political agenda for pro-poor interventions in public policy.

## 3 Specific tasks

- 3.1 In each sector in each country study, the paper should focus on the following questions:
  - Who makes public “policy”?
  - To whose interests do Government policy and delivery respond?
  - What are the policy networks that exist?
  - To what extent do the poor have any influence over the policy-making and delivery processes and through which types of formal and informal mechanisms?
  - What is the impact of the “party” or “political parties” in terms of making and implementing policy?
  - What is the balance of power between the central and the local state?
  - To what extent is the local state the agent of the central state?
  - How much freedom of policy movements does “local Government” have?
  - What can the nature of policy-making and delivery tell us about power relations between the state and society (e.g. state / private sector, elite / non-elite, agrarian / industrial, central / local, inter-ethnic group) that will have been structured by various economic, historical, social, external and fiscal processes over time?

- Where is the common ground for poverty reduction among elites and other groups with power to promote or block change (for example, joining up with key concerns such as nation-building, conflict reduction, decentralisation, self-determination, etc.)
  - The operation of political processes, in both current and historical perspectives, including the scope for participation by women and men in elections as voters and nominated candidates, and in policy-making;
  - Accessibility of individuals to political structures at all levels of society;
  - The incentive framework within which political actors operate, and the underlying values and perceptions which support it;
  - The interaction of politicians with parties, bureaucrats, civil society organisations, lobbying groups (including advocates on the rights of women and other minority issues), and individual women and men at the central and sub-national levels;
  - The interaction of politicians with the private sector, particularly through chambers of commerce, female and male business leaders, and other members of the business community; and
  - Key relationships between politicians (political) and bureaucrats (administration) and others in the context of clientalism at the central and sub-national levels.
- 3.2 In asking these questions the operational objective for DFID is: how can we (and other development agencies) best seek to engage more effectively with partners in the light of the findings of the study?
- 3.3 The paper will be strongly empirical but situated within a coherent political science framework. For example, the degree of “policy institutionalisation” is likely to have a major impact on the extent to which interest groups can have an impact on “policy”.
- 3.4 The study will analyse Government policy-making in each country, as well as reviewing policy history, using a medium-term framework spanning the past five to ten years. Each study will review the same three policy “areas” over past years in order to identify which particular interest groups have benefited. Monitoring and evaluation material, and interviews with key stakeholders, will support the key findings. The objective of this specific task is to support the oral evidence about the interests served by the policy-making process with some written evidence of policy-making processes that have occurred.
- 3.5 The three policy areas to be studied will be forestry (all aspects including land use, conservation and commercial exploitation); land tenure, ownership and redistribution; and the provision and funding of primary health care.
- 3.6 Issues of bias and objectivity should be explicitly recognised within the paper. Different stakeholders are likely to express diverging views about the incentives to which politicians respond.
- 3.7 When making reference to particular social groups – e.g. the poor, elites, and private sector – the paper should, wherever possible, attempt to disaggregate and define them, giving consideration to inter-group differences, for example on the basis of caste, ethnicity, age and gender.
- 3.8 Where possible, the consultants will make note of general trends, for example providing information on whether the poor are exerting more or less influence over policy than five years ago, and if so, as a result of what changes in power relations (e.g. PRSP / institutional reforms / decentralisation)?

## 4 Process

- 4.1 Consultants bidding for the work will be asked to submit comments in the ToRs, as well as their proposed work plan, conceptual and methodological approach and budget. ASREP may wish to discuss these with the successful consultants.
- 4.2 Each study will involve a desk-based literature survey of policy-making and implementation in the country in question. Country visits will be required to discuss with a wide range of stakeholders regarding the nature of the policy-making process and policy networks. Discussions will draw on a range of stakeholders within and outside the state, including DFID offices, pro-poor advocacy groups where possible, and PRSP stakeholders where relevant. It will also make use of secondary material. In order to prevent “reinventing the wheel”, the consultant should make use of any records of past consultations with poor or pro-poor advocacy groups that have focussed on their views of Government policy processes and outputs, e.g. CWIQs, PPAs, “Voices of the poor”, PRSP workshops.
- 4.3 Bids from consortia (UK-local especially) will be welcome.
- 4.4 The successful consultants must be able to demonstrate that they have both the country-specific knowledge and the sector-specific expertise to undertake the work. Each bid must identify the individual who will be responsible for managing the work, coordinating the work of the country research team, and delivering the outputs to DFID.

## 5 Inputs

- 5.1 Each country study will require ten days of desk-based research and literature review and preparation, 40 days of in-country work plus five days for write-up. Two days will be set aside for a presentation of findings to key DFID staff including the pro-poor change team and ASREP. Thus for each *contract* there are 20 person-days of desk work, 80 person-days of fieldwork, ten person-days of write-up and four person-days for presentations. It is expected that the resources for in-country inputs should be made available to in-country partners.
- 5.2 It is envisaged that once the two contracts are completed, a further contract will be let to write a synthesis study report, which will be the responsibility of the two team leaders. No bids are required for this work at this stage.
- 5.3 It is envisaged that each contact team leader will be UK-based, managing a team of international and national staff. It is up to each bidder to specify how the days would be allocated among the team.

## 6 Outputs

- 6.1 There will be a number of outputs:
  - An inception report, submitted within three weeks of the contract being let, would detail the work plan, allocate responsibilities, specify timelines and indicate reporting requirements;
  - A first draft of country papers, each approximately 30 pages long, excluding appendices, will be ready for submission to DFID by the end of March 2003. There will be a short period of consultation before the final drafting, which should be completed by the end of April 2003; and
  - Presentations to DFID staff to be agreed.



## **Annex 2. Research Questions**

- A) The influence of the broader social and political system and the trajectory of sector policy-making over time
1. How have broader political factors and social concerns (public policies) and the socio-economic reform process influenced the trajectory of sector policy-making over time?
  2. What are the main characteristics of the overall policy-making process (e.g. how linear or interactive it is) and how does this influence the direction and content of sector policies and how pro-poor they are?
  3. What are the main poverty-related policy areas and issues in each sector that higher-level policy-making and decision-making bodies have influenced in the recent past (e.g. as reflected in NA or CPV resolutions)?

### **Sector policy-making processes and mechanisms at national and sub-national level**

4. What are the key characteristics of the sector (regarding its mandate, institutional structure and functions) that impact on the policy-making process?
5. Which are the main institutions and actors involved and mechanisms used in policy formulation at national level, and to what extent to these vary between sectors?
6. How important is the role of the Province / City authorities (Peoples Committees and Peoples Councils) in policy-making in the sector, and what influence does the balance of power between central and provincial authorities have on the process?
7. How does the institutional structure of the sector at province (and sub-province level) impact upon policy interpretation and applications?
8. How strong and important are inter-sectoral issues and linkages at national and sub-national levels?
9. How strong and important are intra-sectoral issues and linkages at national and sub-national levels?
10. What are the main mechanisms for establishing financing regimes and what impact can this have on the content and direction of sector policies?
11. What is the balance between central financing, financing from revenues generated at the Provincial or sub-provincial levels, and finances generated through cost recovery / revenue collection of various forms and how does this influence policy-making within the sector?
12. What is the nature of legislative / executive / judicial interaction at different levels in relation to the sector?
13. What are the specific implications of the public administration reform program on the sector at national and sub-national levels (changes over time)?

14. What is the role and importance of ‘think tank’ and ‘intermediary’ agencies under each sector (national or regional) in the policy-making process?

**B) Factors that influence the application of sector policies on the ground from a pro-poor perspective (policy outcomes)**

15. What are the important regional differences and contextual variations in the adaptation and application of policies and distribution of power?
16. How does the institutional structure of the sector at province (and sub-province level) impact upon policy interpretation and applications?
17. What is the importance of implementation capacity of structures at different levels (issues of capacity vis-à-vis political will)?
18. What is the importance of incentive (or disincentive) structures?
19. What is the importance of local Government or programmatic financing constraints?
20. What is the influence of SOEs and/or the status of SOE reform within the sector?

**C) Sources and forms of public influence and influence from other stakeholder groups**

21. Which features and points of the system provide entry points for public influence (e.g. through the media, trade unions, mediating organizations)?
  22. What is the direct or indirect influence of informal constituencies of different kinds on policy-making in the sector?
  23. What official structures exist for consultation with lower levels both generally and within the sector and how effective are they?
  24. What are the main official accountability, feedback and complaint mechanisms that exist within the sector?
  25. What is the role and influence of mediating organizations (such as mass associations, professional organizations, community based organizations, funds and charities) on policy-making in the sector?
  26. What is the importance of interaction with the commercial / private sectors and trade lobbies in the policy-making process (formulation and application)? In what ways can these interests distort the policy-making process?
  27. What are the main forms of donor influence and/or coordination that need to be taken into account? In what ways can these interests distort the policy-making process?
  28. What is the evidence of differences or tensions within and/or between donor and/or Government ideas of pro-poor policies and processes?
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