

Diversifying PRSP

The Vietnamese Model for Growth-Oriented Poverty Reduction

September 1, 2002

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Background

- Ongoing global poverty reduction partnership
- Poverty Reduction Strategy Paper (PRSP)
 - Eligibility for Enhanced HIPC Initiative, IDA/IMF financial support
 - Linkage with country assistance strategies
 - The means to achieve UN Millennium Development Goals (MDGs)

Japan and PRSP

- Agree on basic principles of PRSP (e.g., ownership, partnership); but
- **Suggested areas for its enhancement:**
 - Incorporating country diversity in the current approach
 - Providing strategic alternatives and options for institutional arrangements, etc.

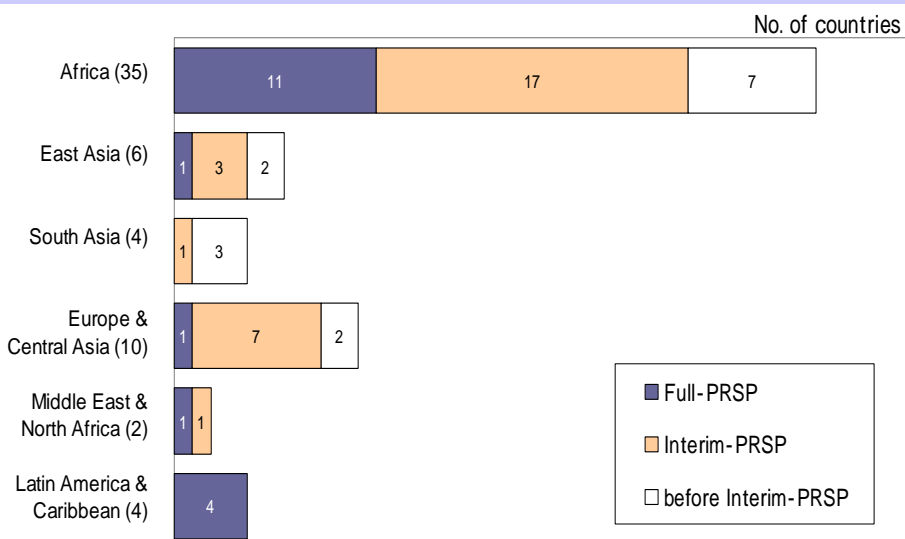
Agenda

1. PRSP Overview
2. Country Types and Appropriate Responses
3. Vietnam's PRSP Experience:
 - **Strong ownership:** built on the existing development vision
 - **Growth orientation:** Asian Dynamism as key factor

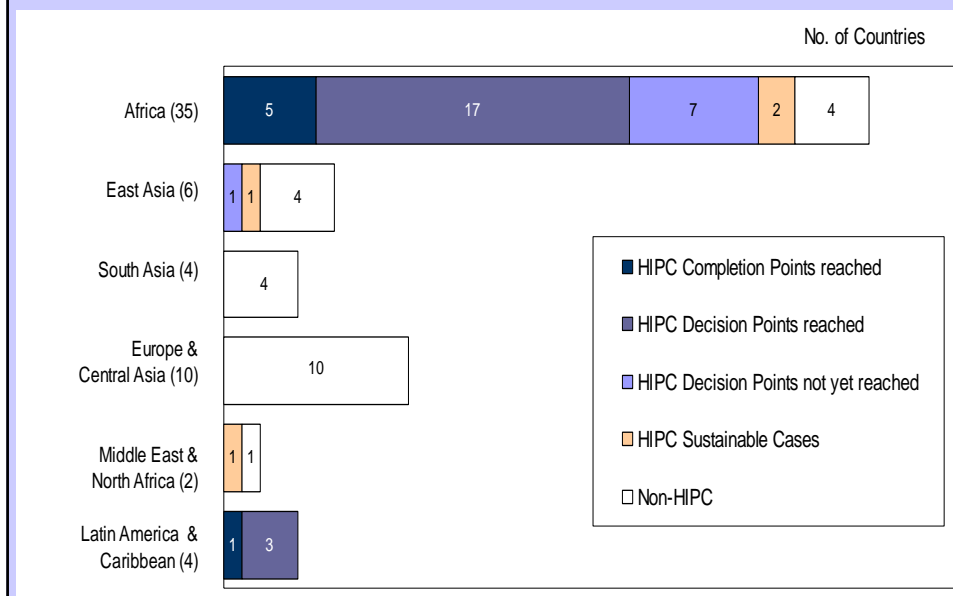
1. PRSP Country Status

- 61 countries engaged in PRSP process
[as of Aug. 2002]
 - 18 countries completed Full-PRSPs
o/w: 12 Africa, 4 LAC
 - o/w: 15 linked to “Enhanced HIPC Initiative”
- IDA/IMF comprehensive review
 - Joint Development Committee (April 2002)

PRPS Countries by Progress



PRSP Countries by HIPC Status



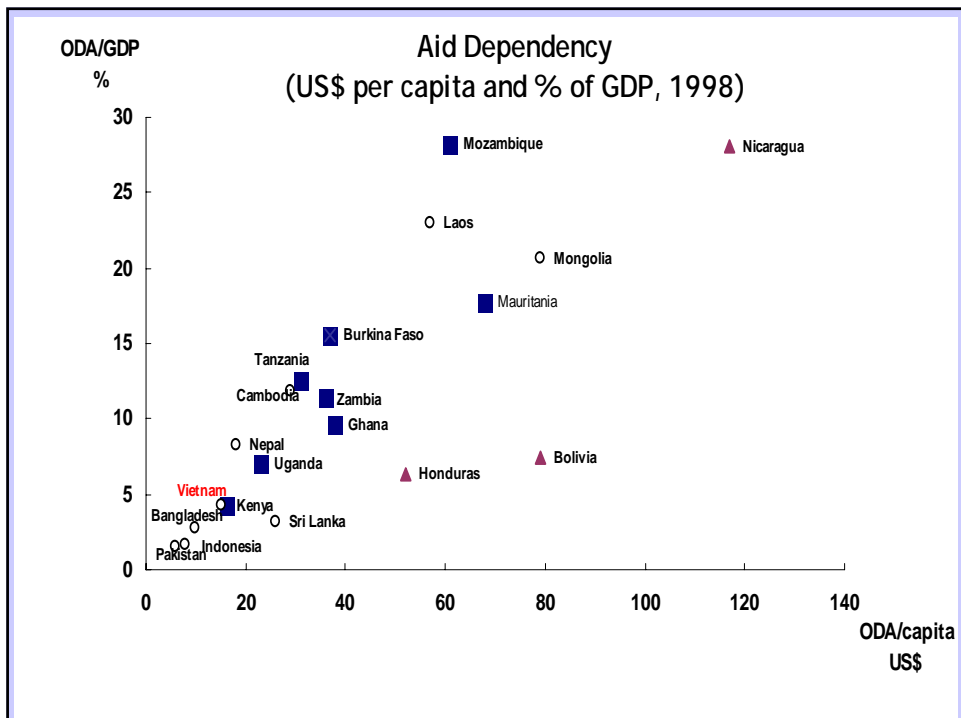
PRSP Comprehensive Review: by IDA and IMF

“The PRSP approach requires flexibility so that both the process and the content of poverty reduction strategies can vary across countries in light of national circumstances.”

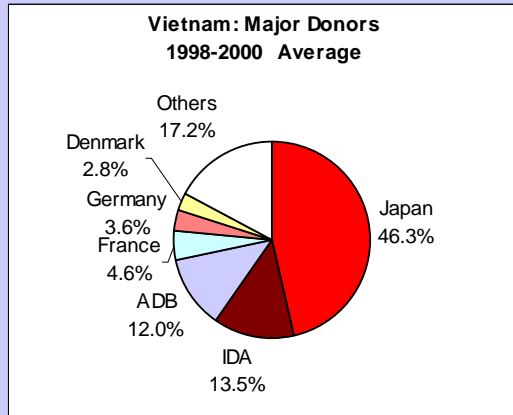
[IDA/IMF March 15, 2002, p.7]

2. Country Types and Appropriate Responses

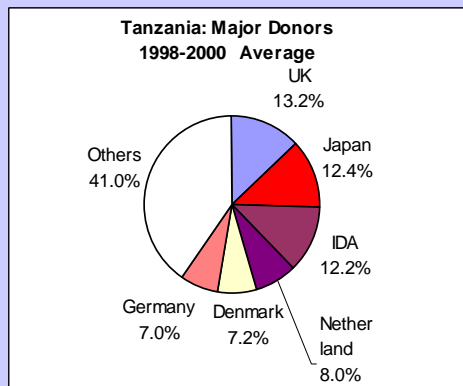
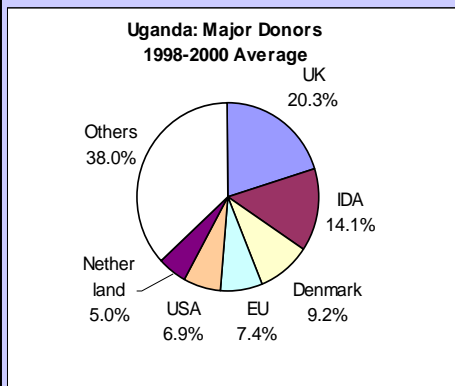
- **3 key criteria** for localizing PRSP
 1. Relationship with donors
 - Linkage between PRSP and debt relief
 - Aid dependency
 - Donor composition, etc.
 2. Presence or absence of a national development strategy and its quality
 3. Causes of poverty



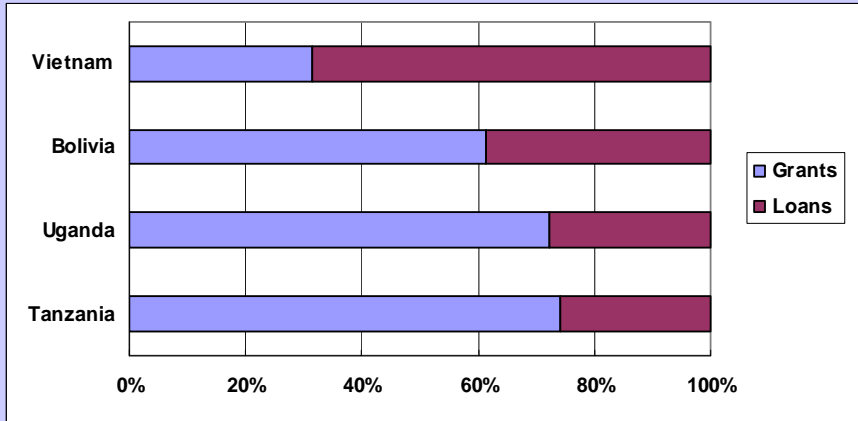
Donor Composition



Donor Composition



ODA Composition: Grants vs. Loans



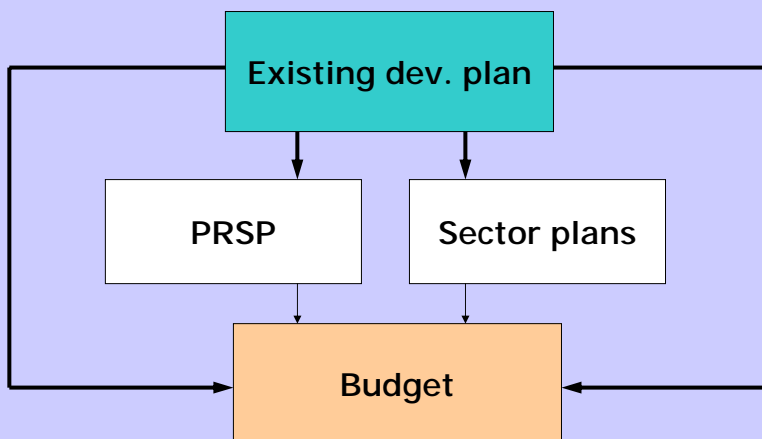
National Development Strategy

- How is PRSP—imported from without—treated domestically?
- 2 prototypes:
 - PRSP as a **supplementary** document
 - PRSP as a **primary** document

PRSP as a Supplementary Document

- Existing national development plans **guide** budget, sector plans and PRSP.
- PRSP **supplement**, with special attention to poverty reduction
 - Cross-cutting perspective
 - Participatory process, etc.
- Example: Vietnam

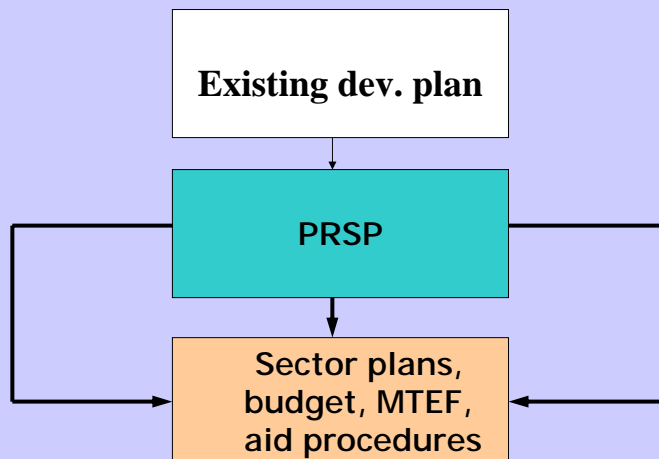
PRSP as a Supplementary Document



PRSP as a Primary Document

- PRSP co-exists with the national development plan
- Newly introduced PRSP exerts a stronger influence over budget and sector plans.
- Examples: Tanzania, Uganda

PRSP as a Primary Document



Institutional Options based on the Existing System

- PRSP-supplementary: donors should respect and support the existing policy framework (rather than replacing it with PRSP).
- PRSP-primary: donors can utilize PRSP & related systems and support local capacity building around PRSP.

Causes of Poverty

- Need for correct matching between diagnosis and prescription in each country
 - How poverty is created?
 - How can growth reduce poverty?

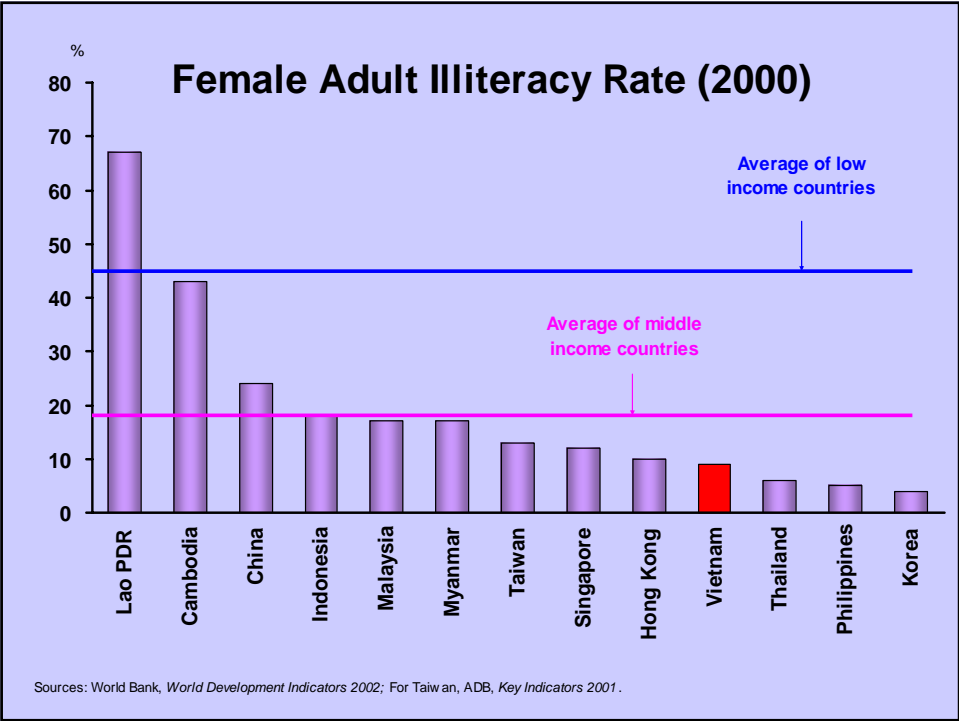
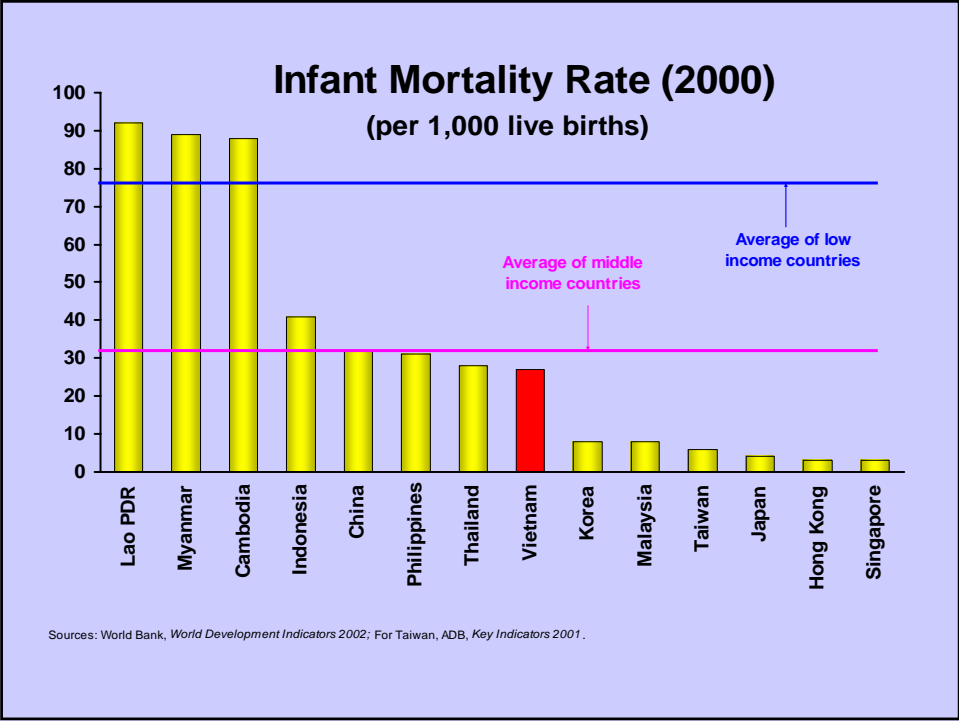
[Ishikawa 2002]

Causes of Poverty (contd.)

- Case 1: a poor country equipped with policies & programs to promote social equity and social service delivery system
 - A good growth strategy is needed to improve the purchasing power of the general population.
 - Example: Vietnam

Causes of Poverty (contd.)

- Case 2: a poor country constrained with uneven opportunities due to social discrimination (e.g., gender, racial and ethnic discrimination)
 - Formulation and implementation of efficient & effective pro-poor targeting measures are needed—in addition to a growth strategy.



Country Diversity and Strategic Alternatives

- Reflect the stages of development (economic, social, institutional etc.), and other country-specific opportunities & constraints.
- Identify an appropriate mix for each country: “pro-poor targeted” vs. “broad-based growth” expenditures
[Ishikawa 2002]

3. Vietnam’s PRSP Experience

- Recognized internationally as “good practice”: strong country ownership
- PRSP renamed to “*Comprehensive Poverty Reduction & Growth* (CPRGS) Strategy”
- CPRGS: as a document subordinate to the core documents which embrace a growth-oriented development vision.

Vietnam's PRSP Experience

- Different perspective from the early PRSPs
 - First East Asian country to complete Full-PRSP (May 2002)
 - PRSP not linked to enhanced debt relief program

About Vietnam

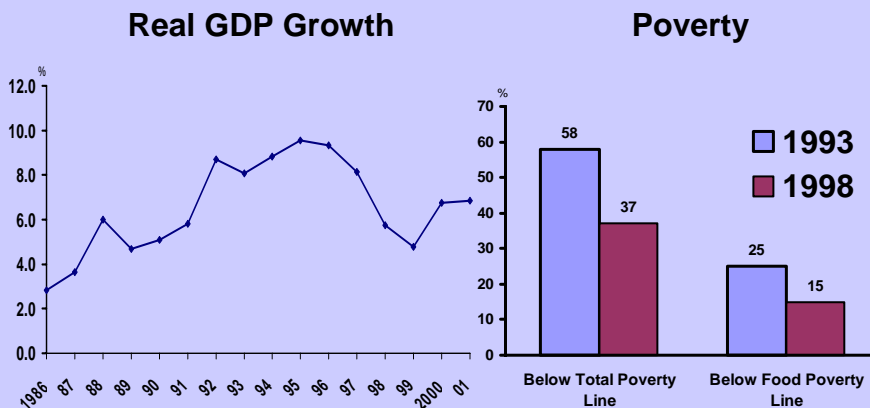
- Population: 78.5 million
- Located at the heart of East Asia
- Years of wars and central planning
- Income per capita: \$390 per year
- Life expectancy at births: 69 years
- Female adult illiteracy rate: 9%

[2000 data, WB]

About Vietnam (contd.)

- Transition to a market economy
“Doi Moi” policy (1986 ~): domestic liberalization
- International integration (early 1990s ~): trade, FDI, aid flows
- Achieving high growth rates (7 ~ 8% per year) and halving the ratio of extreme poverty in the 1990s

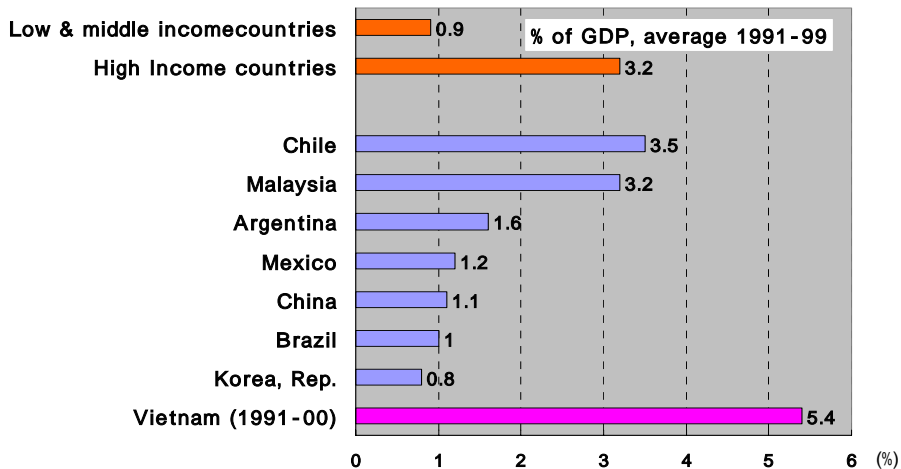
Progress in the Last Decade



Source: Government Statistics Office (GSO), Government of Vietnam.

Source: World Bank, "World Bank and Vietnam,"
[http://www.worldbank.or.jp/06group/RC_flame.htm].

Vietnam is a Large FDI Receiver

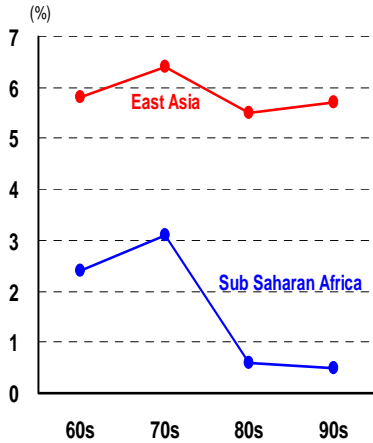


Source: Government of Vietnam and World Bank, SIMA database (cited from *Vietnam 2010*
Entering the 21st Century, Joint Report of World Bank, ADB and UNDP, November 2000.

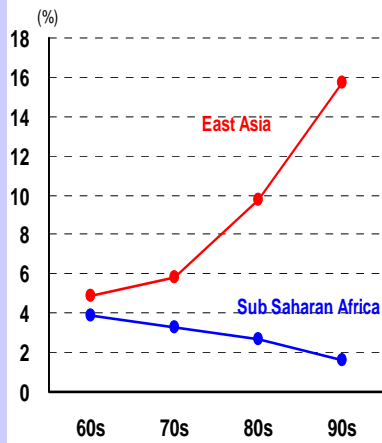
Asian Dynamism: Key Factor

- Development driven by **trade & investment**
- East Asian growth as collective phenomenon: “Flying Geese Pattern”
- Development as **catching up** (vs. development as poverty reduction)
- Participation in regional/global production network through int’l division of labor

Per Capita GNP Growth



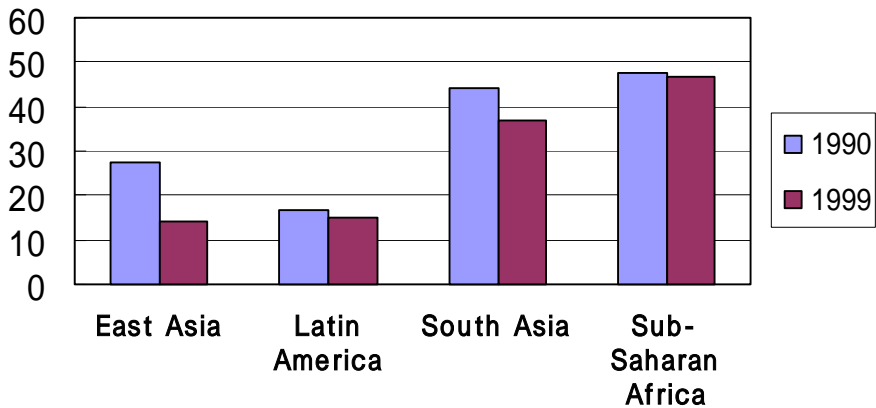
Share in World Export



Source: Ministry of Economy, Trade and Industry, White Paper on International Trade 2001, p.78.

East Asia Reduced Poverty Despite Currency Crisis

Population in Extreme Poverty (%)

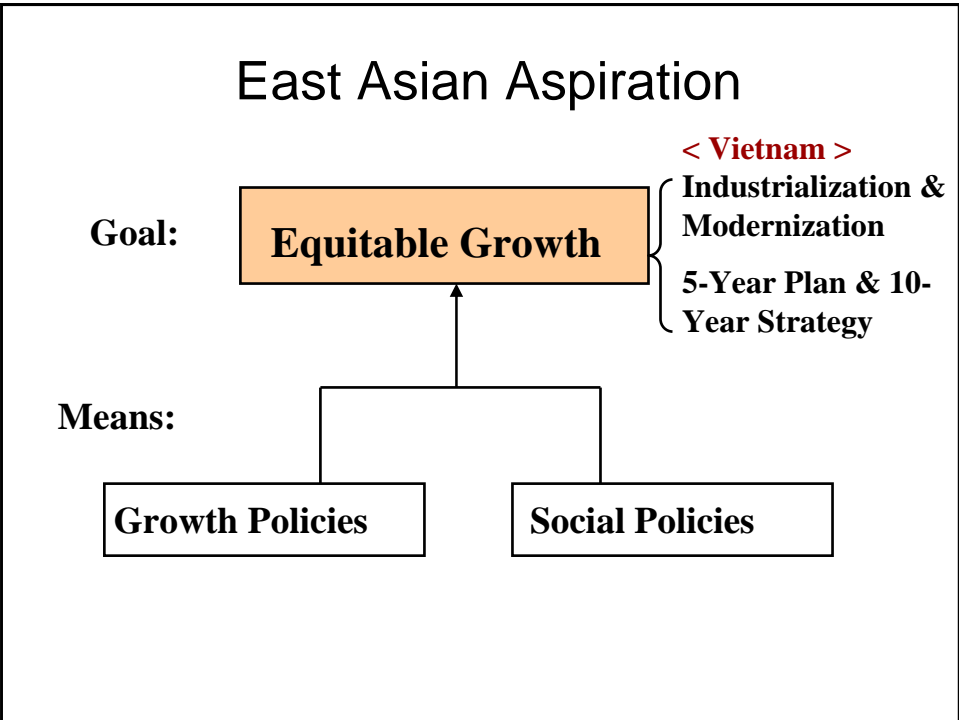
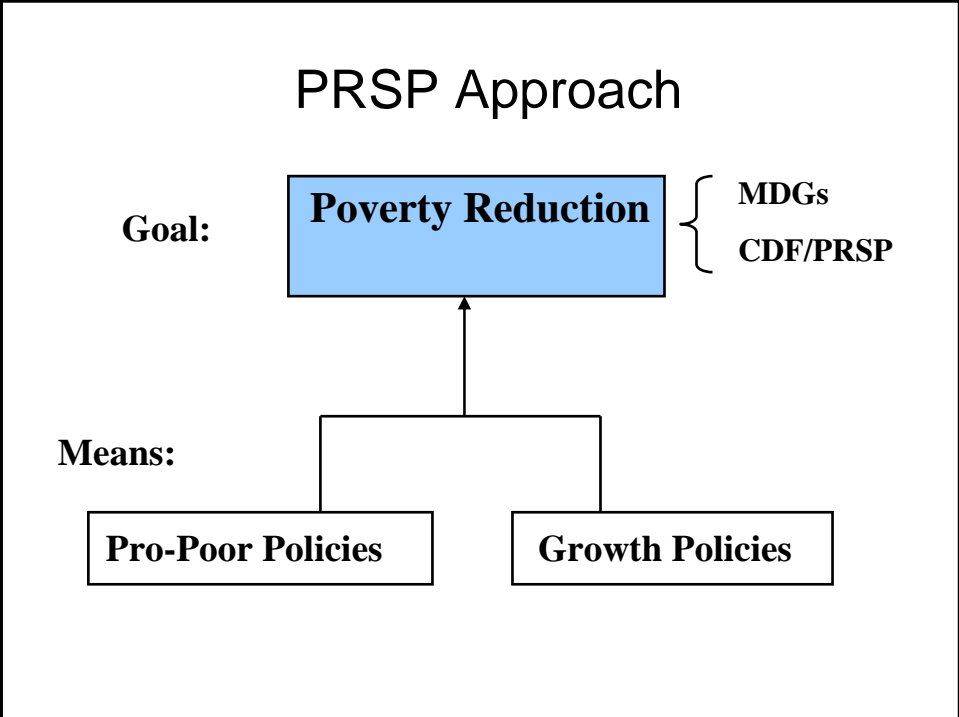


Asian Dynamism: Key Factor

- Vietnam with typical East Asian aspiration
- National goal: *Industrialization & Modernization* by 2020 (10-Year Strategy & 5-Year Plan)
- Very strong interest in narrowing intra-regional gaps (vs. original ASEAN)

Asian Dynamism: Key Factor

- Also interested in infrastructure, HRD, trade, FDI attraction
- Narrow “poverty reduction” approach, not enough



Lastly...

- Diversifying PRSP, more flexibility
- Specific criteria for localizing PRSP
- Options for institutional arrangements
- Strategic alternatives: different causes, different responses

Japan's Cooperation

- **Country ownership** and **partnership**
- Supporting **balanced growth with equity**
 - Creating the enabling environment for trade & investment, through infrastructure, HRD, policy advice, etc.
 - Coping with risks & emerging social problems
- Through an appropriate mix of grants, loans, and technical cooperation

The END

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