

Symposium on Asian Dynamism and Vietnam's PRSP

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Comments on "Diversifying PRSP – The Vietnamese Model for Growth-Oriented Poverty Reduction", Paper by Prof. Izumi Ohno.

**John Samy
Viet Nam Country Director, Asian Development Bank**

Prof. Ohno's paper presents an interesting and insightful assessment of the process leading to the development of the poverty reduction strategy for Viet Nam and its outcome, which is called the Comprehensive Poverty Reduction and Growth Strategy (CPRGS).

The paper also contains some useful and concrete proposals on how to measure qualitative concepts. For example, section 3 on "Types of Poor Countries" argues that countries are likely to have stronger ownership of a poverty strategy if (i) they are not dependent on its endorsement by aid agencies to obtain debt relief; (ii) their dependency on aid is low (as measured by per capita ODA funding and ODA flows as a percentage of GDP); and (iii) a larger percentage of ODA flows received is accounted for by loans rather than grants. Viet Nam fits all three criteria, and this is seen as one reason for the stronger national ownership of the CPRGS. Also the point regarding the need to take account of country-specific causes of poverty (on page 8 of the paper) is well made.

To the measurable criteria, it would perhaps be appropriate to add two additional elements: (i) the Government has to-date demonstrated commitment in its development strategy and plans and through concerted actions, to reduce poverty; and (ii) Viet Nam's external partners have been supportive of national ownership by providing technical and financial assistance for the analyses and consultation process, and by encouraging the Government to develop its' own poverty reduction strategy. This is notwithstanding the fact that, initially, an Interim – PRSP was prepared to meet the requirements for the structural reform credit support from the World Bank.

The resulting CPRGS focus, which emphasizes the need for both overall growth and concerted efforts to address poverty is quite appropriate for Viet Nam. The Asian Development Bank (ADB) has been associated, through the Poverty Task Force, in supporting the process of CPRGS preparation, and ADB's Country Strategy and Program for Viet Nam focuses quite specifically on some of the themes highlighted in the CPRGS. They include supporting growth through development of the small scale private sector and higher agricultural productivity induced by science and technology; fostering socially inclusive development, including Viet Nam's target of achieving universal lower secondary education by 2010; promoting good governance through public administration reform; and targeting infrastructure investment and rural development to the poorer areas in the central region of Viet Nam.

While Prof. Ohno's paper focuses on the CPRGS process and its link to the World Bank Poverty Reduction Strategy Paper (PRSP), and on the framework provided by the Millennium Development Goals, it may be useful to point out that a sharper focus on poverty reduction is a common goal of most development institutions. In November 1999, at approximately the same time when the PRSP concept was being launched by the World Bank, the ADB concluded a period of internal debate and external consultation by approving its Poverty Reduction Strategy: *Fighting Poverty in Asia and the Pacific*. In

addition to outlining how ADB would address poverty reduction in its member countries (by focusing on the three key pillars of sustainable economic growth, social development and good governance), the ADB Poverty Reduction Strategy identified a process of poverty analysis; stakeholder consultation through a high level forum, and commitment to achieving monitorable results through the signing of a poverty reduction partnership agreement between the Government and ADB.

Focusing first on the process, it may be noted that preparation of the CPRGS has relied on similar building blocks: an analysis of poverty data and causes (synthesized in the *Attacking Poverty* report published at the end of 1999), followed by extensive stakeholder consultation (first on the Hunger Eradication and Poverty Reduction Strategy and later on the CPRGS); and finally, identification of monitorable targets through the Viet Nam Development Goals, and of specific measures to support their achievement, as spelled out in the policy matrix attached to the CPRGS.

In recognizing that the CPRGS preparation process has been robust, it is also useful to point out some of the areas that require further refinement. For instance, more specific identification of policies are needed to achieve some of the Viet Nam Development Targets; there is a need to establish a closer link between the required actions and the budget allocation process to ensure that priority areas are adequately resourced; and there is the need for stronger prioritization and clearer sequencing of actions. These shortcomings need to be addressed to make the CPRGS a more useful document to guide poverty reduction efforts by the Government.

The table on page 13 of Prof. Ohno's paper stylizes, into two groups, the views of external aid sources on Viet Nam's CPRGS: those who consider it as a useful additional tool to reinforce core planning documents, and others who consider it the main planning document for purposes of aligning domestic and external resources towards poverty reduction. ADB, which is a major development partner of Viet Nam, is not listed in either of the two groups. This may well be because ADB's view of the CPRGS is somewhat more nuanced, and does not fall neatly within either of the two categories. Like the first group (Japan, France, etc.), ADB considers that balanced emphasis on broad-based growth and pro-poor measures is appropriate for Viet Nam, as further detailed in Viet Nam's Poverty Reduction Partnership Agreement with ADB. ADB also recognizes that the CPRGS draws on and is inspired by the Government's broader ten-year Strategy and five-year plan, and essentially sharpens the poverty reduction focus of these documents by expanding on more poverty-related issues and actions. Like the second group (World Bank, UK, etc.), ADB finds that the CPRGS provides a useful framework for prioritization and resource allocation focusing specifically on poverty reduction. ADB, therefore, has already aligned its assistance to Viet Nam on the basis of directions which were clear from the country's ten-year Strategy and the five-year Plan and the draft versions of the CPRGS, which were available when ADB's Country Strategy and Program and Poverty Reduction Partnership Agreement were finalized in early 2002.

With these considerations, may I conclude with some parting thoughts. Prof. Ohno's paper proposes three possible prototypes of a poverty reduction strategy: (i) a supplementary document; (ii) a primary document; and (iii) an exclusive document. We think the debate should not be framed in terms of the PRSP (which is a specific document fulfilling requirements of some specific multilateral development institutions), but rather in terms of a **national** poverty reduction strategy. When looked at in these terms, it is clear that the poverty reduction strategy cannot be an exclusive document, because any sovereign country needs to address, in its development planning and priorities, other issues which

are not exclusively poverty related, and a development strategy which were exclusively poverty-focused would be overlooking other important dimensions.

The choice, therefore, becomes whether a national poverty reduction strategy should be a primary document guiding budget allocations and aid coordination, or a supplementary document which reinforces the country's own development plans by providing a sharper focus on the causes of poverty and policies and measures required to address it. The trade-off is essentially one of comprehensiveness versus specificity. If a country is affected by very pervasive and immiserizing conditions of poverty, almost any positive development action is likely to reduce poverty and therefore the poverty reduction strategy can be a comprehensive primary document. On the other hand, if poverty is more localized geographically or among certain social groups, then, more careful targeting is required, and it is appropriate to develop a focused approach identified in a supplementary document. The conclusion, as in much of the development debate, has to be that "a one-size-fits-all" solution cannot be relevant and appropriate. The specific country circumstances must be taken into account.

Viet Nam is a country that is deeply rooted in the tradition and trappings of "central planning". It has a public administration which Prof. Ohno describes as "stable". The public administration is also characterized by opaqueness and excessive bureaucratism. Viet Nam now, however, is in rapid transition, from a centrally planned, highly interventionist system to a competitive, more open and more developed market oriented economy. In this context, a major challenge for Government and the whole public administration system of Viet Nam, is to hasten its transition from centralized bureaucratism, to create the enabling conditions, through reform of policies and institutions, to more fully and effectively tap the vast development potential of the country. Viet Nam needs to do this to the maximum possible extent through the entrepreneurial acumen of its people, with the public sector playing a supportive, regulatory, enabling and catalytic role. While poverty reduction is an overarching goal, it is not the only national development objective. The country is seeking to industrialize, and to integrate into the regional and global economies through increased trade and competitiveness. To achieve these, the country has been pursuing reforms, of its policies and institutions, within the framework of its own national-level planning process, embodied by the ten-year Strategy and five-year Plan. This internal planning process needs to be transformed and strengthened. A challenge for Viet Nam, as indeed its development partners, is how to further evolve and strengthen Viet Nam's "ten-year Strategy" and "five-year Plan" formulation processes, moving away from the "central planning" tradition to a more market oriented strategic planning framework. In this context also, it may not even be necessary to develop a separate poverty reduction strategy if poverty reduction is given adequate attention in the analyses, policy development, and budget allocations within the national development strategies and plans. Therefore, burdening the country with parallel processes should perhaps be avoided. In such a case the CPRGS could become a section, albeit an integral and critically important one, of the next ten-year Strategy and five-year Plan.

Thank you.