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## A New Keyword: Growth Initiative

**A** new current is emerging. There is growing interest in the importance of economic growth in development and how to promote it, and new keywords are being born: growth initiative.

Economic growth is one of the most important goals of development. While the importance of poverty reduction in development is widely accepted, poverty reduction is possible on a sustainable basis only if there is economic growth. Unfortunately, however, the importance of growth and the meaning of growth-promoting measures have not necessarily received the attention they deserve in international discussions on development.

In this circumstance, Vietnam has assigned high priority to achieving growth in its own vision of development and has been striving toward this goal. Naturally, economic growth and poverty reduction are not mutually contradicting or inconsistent goals for Vietnam. In fact, the country's development experience to date has vividly demonstrated that growth serves as the powerful engine for reducing poverty.

Japan has been consistently advocating a importance of growth on the basis of its own experience and as a donor deeply involved in the East Asian development experience. And based on such development philosophy, Japan has continued to focus on measures to promote economic growth in providing development assistance.

Therefore, having a close look at Japan's assistance from the perspective of promoting growth provides many ideas for considering the meaning of growth in development and how to take measures to promote growth.

Vietnam and Japan are not alone in paying attention to the importance of growth. International perception on the meaning of growth and the significance of measures to promote growth is changing.

For example, the joint Development Committee of the World Bank and the IMF stressed the importance of economic growth by covering this subject in its communiqué in April, 2003: "To accelerate progress toward these (MDGs) and related goals, we

emphasized the need for policies by both developed and developing countries in partnership to generate stronger economic growth complemented by actions to enhance the capabilities of poor people to participate in growth and access key social services." It also stated "we emphasized the critical role of investment in infrastructure for economic growth, and its linkages with the provision of social services and the attainment of the MDGs."

The Department for International Development (DFID) of U.K. also recognized the need for "holistic poverty reduction strategy with a stronger focus on sources of growth and links to poverty reduction." Such recognition is significant in considering the meaning of growth.



### Vietnam's Vision for Development and Economic Growth

The development strategy and plan of the Vietnamese government defined economic growth as the most important policy goal. The Socio-economic Development Strategy from 2001 to 2010 established a vision of transforming Vietnam into an industrial country by 2020, and set a goal of 7.5 percent annual growth, thereby doubling national income in 10 years. Based on this policy, the government designated "enhance the quality, efficiency and competitiveness of the economy with a view to ensuring rapid and sustainable growth" as one of the three major development challenges (Speech by Deputy Prime Minister Vu Khoan at the donor meeting in December 2002)

### How Economic Growth Is Linked to Poverty Reduction

The link between economic growth and poverty reduction goes both ways. Vietnam attained a major achievement in poverty reduction in the 1990s, and, as is well-known, this was, to a considerable extent, realized by economic growth. The Comprehensive Poverty Reduction and Growth Strategy (CPRGS) approved by the government in May 2002 made reference to the inter-linkage between economic growth and poverty reduction and stated that poverty reduction forms the basis for future growth.

Economic growth is a necessary condition

for reducing poverty on a sustainable basis, but not a sufficient condition. As numerous discussions among researchers as well as in the aid community have indicated, the quality of growth, including how the fruits of growth may be distributed, is as much important as growth itself. What is called for is broad-based growth in which fruits of growth will be distributed to the poor, but it should be kept in mind that, for this to happen, an increase in GDP must be redistributed through the fiscal and financial mechanism.

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