

NEW CHAPTER ON LARGE-SCALE INFRASTRUCTURE IN THE CPRGS

A new chapter on large-scale infrastructure to be incorporated to the CPRGS (Comprehensive Poverty Reduction and Growth Strategy) will be presented in the Consultative Group meeting in December 2003. This will make CPRGS more "comprehensive" and balanced by covering both "growth" and "poverty reduction," being worthy of its name. The incorporation of the role of infrastructure will strengthen the linkage of CPRGS with the existing sector plans and Public Investment Program (PIP). The work to add a new chapter to CPRGS followed discussions at the Consultative Group meeting in December 2002.

The Government of Vietnam elaborated CPRGS as the first full-PRSP in Asia in May 2002 under its ownership and with the participation of its development partners. As its title suggests, CPRGS intended to take into account the importance of growth, in addition to the significance of poverty reduction. This was the first case in the formulation of PRSP in various developing countries in

the world. However, it did not place attention to the role of large-scale infrastructure.

Japan, for its part, has taken the position that a balance between sustainable economic growth and poverty reduction is an important factor in Vietnam's development, and that not only pro-poor measures but also growth promotion measures such as large-scale infrastructure should be incorporated in CPRGS, since growth is indispensable for sustainable poverty reduction. In the Consultative Group meeting in December 2002, the Japanese government proposed to expand CPRGS in incorporating the role of large-scale infrastructure. MPI Minister Phuc, at his concluding remarks, stated "We should add large scale infrastructure development to the CPRGS in order to create momentum for economic development, with high and sustainable growth." "I also suggest that early next year, when we review the implementation of the CPRGS, we will officially amend with a legal documents by the government."

Based on this conclusion, MPI has started working for drafting a new chapter on large-scale infrastructure since the beginning of 2003. To assist the Vietnamese government's initiative for drafting the new Chapter, Japan has provided a variety of inputs. Specifically, two studies were conducted: (1) "Linking Economic Growth and Poverty Reduction-Large-Scale Infrastructure in the Context of Vietnam's CPRGS", an analytical study indicating how the large-scale infrastructure contributes to economic growth and poverty reduction, conducted by GRIPS (National Graduate Institute for Policy Studies) Group led by Professor Izumi Ohno, and (2) "Impact Assessment of Transport Infrastructure Projects in Northern Vietnam".

As part of CPRGS expansion work implemented by the Vietnamese government, MPI, the WB and Japan jointly sponsored a workshop titled "Development of Large-Scale Infrastructure for Growth and Poverty Reduction", on September 25, 2003, where donors presented relevant studies as inputs

and the Vietnamese government presented the draft new Chapter of CPRGS. From Japan, above two studies were presented. Valuable input was provided by various donors, which include the WB on "Empirical Assessment of the Public Investment Program 1996-2000"; DFID (U.K.) on "Study of Road Network Impacts on the Poor"; and AusAID (Australia) on "My Thuan Bridge Study".

One of the characteristics of the GRIPS Group study is that it analyzed various research works by other donors in addition to its own case study work and tried to synthesize all of them. Then, it tries to identify the channel through which large-scale infrastructure is conducive for economic growth and poverty reduction.

Currently the donor community worldwide is coming back to pay attention to the importance of the role of infrastructure. The Vietnamese government's efforts in expansion of the CPRGS could be a spearhead of the worldwide trend and give substantial influence not only in Vietnam but other countries.



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ISSUES CONSIDERED BY JAPAN-VIETNAM JOINT INITIATIVE

Points considered for the action plan include the following:

- 1 - Building and implementing a strategy to foster investments from overseas
 - Development, introduction and utilization of supporting industry in Vietnam
 - Clarification of the corporate income tax incentive for FDI Company
 - Strengthening of FDI promotion activities (One stop service for FDI)
 - Development of Cross-Industrial Development Strategy and Establishment of Inter-Ministerial Coordination Mechanism
- 2 - Specific measures to make significant improvements in investment climate
 - Regulations related to investment
 - Removal of the restrictive investment rules (including export requirement, consensus rule on decision by the board of directors, local content requirement, and dual pricing rule)
 - Capacity building of implementing authorities
 - Improvement of the custom procedures
 - Improvement of administration of intellectual property rights
 - Improvement of economic statistics, especially production statistics
 - Improvement of Investment related Institutions
 - Improvement in promulgation process of legal normative documents

(such as enhancing the function of a specialized department of the Ministry of Justice in charge of appraisal of legal normative documents).

- Improvement of implementation of civil judgments and arbitration
- Human resources development (IT man powers and vocational training)
- Improvement of economic infrastructure
 - Urban traffic and urban functions (draw up and implement a master plan for urban transport to reduce traffic congestion and ensure traffic safety, and ensure strict adherence to traffic safety rule, and decentralize urban functions)
 - Power sector (main power plant construction, FDI entry, tariffs and reliability) and Improvement of telecommunication environment
- Support to the existing investors
 - Measures to address the issues faced with automobile, motor cycle, electric and electronic industries and medium and long term vision for these industries.

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