

Commissioned by Ministry
of Foreign Affairs of Japan

The Poverty Reduction Impact of Economic Infrastructure Project (2)

- **Key issues and lessons learned from the Vietnam's CPRGS Process** -

Final Report

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 **UFJ Institute Ltd.**

Abbreviations

| | |
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| ADB | Asian Development Bank |
| AFD | Agency Francaise de Developpement |
| AFTA | ASEAN Free Trade Agreement |
| AusAID | Australian Agency for International Development |
| CCBP | Comprehensive Capacity Building Program for ODA Management |
| CG | Consultative Group |
| CPRGS | Comprehensive Poverty Reduction and Growth Strategy |
| DAC | Development Assistance Committee |
| DFID | Department for International Development |
| F/S | Feasibility Study |
| GRIPS | National Graduate Institute for Policy Studies |
| HEPR | Hunger Eradication and Poverty Reduction |
| IDA | International Development Association |
| IMF | International Monetary Fund |
| I-PRSP | Interim Poverty Reduction Strategy Paper |
| JBIC | Japan Bank for International Cooperation |
| JICA | Japan International Cooperation Agency |
| KfW | Kreditanstalt fur Wiederaufbau |
| LMDG | Like-Minded Donor Group |
| MARD | Ministry of Agriculture and Rural Development |
| MDGs | Millennium Development Goals |
| MOF | Ministry of Finance |
| MOH | Ministry of Health |
| MOLISA | Ministry of Labor, Invalids and Social Affairs |
| MPI | Ministry of Planning and Investment |
| MTEF | Medium-Term Expenditure Framework |
| NGO | Non governmental organization |
| NSGRP | National Strategy for Growth and Reduction of Poverty |
| ODA | Official Development Assistance |
| OECD | Organization for Economic Cooperation and Development |
| O&M | Operation and Maintenance |
| PHRD | Japan Policy and Human Resources Development Fund |
| PIP | Public Investment Plan |
| PPAs | Participatory Poverty Assessments |
| PTF | Poverty Task Force |
| PRGF | Poverty Reduction and Growth Facility |
| PRS | Poverty Reduction Strategy |
| PRSC | Poverty Reduction Support Credit |
| PRSP | Poverty Reduction Strategy Paper |
| RPA | Regional Poverty Assessment |
| SEDP | Socio-Economic Development Plan |
| SEDS | Socio-Economic Development Strategy |
| SOEs | State owned enterprises |
| UK | United Kingdom |
| UNDP | United Nations Development Programme |
| VDGs | Vietnam Development Goals |
| VDR | Vietnam Development Report |
| WB | World Bank |
| WHO | World Health Organization |
| WTO | World Trade Organization |

Summary

Purpose of the Study

This report is the final product of “The poverty Reduction Impact of Economic Infrastructure Project (2)”, a study commissioned by the Ministry of Foreign Affairs of Japan for the fiscal year 2004. The study has served as a background document and the input for the third meeting of the POVNET: DAC Task Team on Infrastructure for Poverty Reduction, hosted by Japan, held on March 22-24, 2005 in Tokyo (at JICA Institute for International Cooperation). As Japan’s contribution and input, the midterm report of this study was distributed as room document at the meeting.¹ Focusing on the Vietnam’s PRSP (CPRGS) experience as a concrete example, the process analysis has been conducted on the evolution of the CPRGS. The key elements and lessons learned have been extracted as a result of the analysis, which was intended to contribute to the DAC Task Team in their preparation of the “Guiding Principles for Donors to be more Effective on Poverty Reduction and Pro-Poor Growth through Economic Infrastructure”. Throughout the study, close coordination took place among the Ministry of Foreign Affairs of Japan (Loan Aid Division and Aid Planning Division of the Economic Cooperation Bureau), DAC Task Team on Infrastructure (Chairman: Mr. Hitoshi Shoji, Advisor in Sector Strategy Development Department, JBIC, Secretariat in support of the Chairman: Development Assistance Strategy Department, JBIC), and the study team.

Summary of the Contents

The Vietnamese government has introduced the new chapter of the CPRGS on the role of infrastructure at the December 2003 CG meeting. The role of the large-scale infrastructure as one of the “growth” promoting measures -- which had been clearly articulated in Vietnam’s existing national plans and strategies -- was duly reflected in the CPRGS. Through the CPRGS expansion process, the donor community has revisited the importance of “growth” in poverty reduction objectives. At the same time, awareness was raised among the donor community on the necessary policy measures to ensure the effectiveness of infrastructure investment.

This report endeavors to identify the key elements in the CPRGS process that lead to its expansion in each chapter:

- Chapter1 explains the background and the reason why “dual system” was created by elaborating the relation between the CPRGS and the existing national plans/policies.
- Chapter2 explains the difference between the CPRGS and the existing national plans/policies by clarifying the PRSP principles in the Vietnamese context.
- Chapter3 analyzes the reason for Vietnam’s strong ownership.
- Chapter4 analyzes the reasons for the “pro-poor” inclination of the original CPRGS. The chapter also explains the government’s incentive for coming up with the decision to expand the CPRGS. It also provides the contents of the discussion at the CG meeting where Vietnamese government has announced its intention to add a new chapter to the CPRGS. Intellectual inputs provided by various donors on the government’s CPRGS expansion initiative was also explained in this chapter.
- Chapter5 explains the policy measures and policy tools -- including PRSC -- to ensure the effectiveness of infrastructure investments.

¹ Room Document 2 (DAC Poverty Reduction Network (POVNET) Task Team on Infrastructure for Poverty Reduction, 3rd Workshop on Developing the DAC Guiding Principles, Tokyo, March 22-24 (am), 2005)

Chapter6 explains the Vietnamese government's initiative in enhancing the alignment between the CPRGS and the existing national plans/strategies focusing on the "CPRGS roll out". The chapter also touches upon the integration of the CPRGS into the next 5 Year Plan (2006-2010).

In Chapter7, the key elements and lessons learned extracted from the CPRGS process analysis were described as follows:

<Key elements>

- Vietnam has its own policy configuration before the introduction of the CPRGS and it has already shown its strong commitment towards both "economic growth" and "poverty reduction" in its core documents (i.e., SEDS and SEDP). In other words, Vietnamese government, as a robust action body with ownership has already confirmed strong commitment to the "economic growth" and "poverty reduction" prior to the elaboration of CPRGS.
- Debate among donor community(*) regarding the *coverage* of the CPRGS has been taking place, and the government has endeavored to make sure the "role of infrastructure" considering the balance between economic growth and poverty reduction.
(*) France, Germany and Japan considered that the CPRGS was focused too heavily on the poverty reduction aspects, neglecting growth. Whereas, the WB, DFID and several countries within the Like-Minded Donor Group took the position that the pro-poor orientation of the CPRGS is quite good. The debate among the donors seemed to have facilitated the government to show its own position towards the issue.
- Donor community has repeatedly pointed out the importance of strengthening the alignment between the CPRGS and the PIP. However, critical bottleneck existed as the CPRGS lacked its provision on the role of the large-scale infrastructure, which the major part of the PIP occupies.
- There was a shift in the worldwide trend towards perception of the role of the infrastructure. The WB and the IMF have also revisited the importance of the role of infrastructure, which affected the donor community in Vietnam to realize its vital role. The turning point would be the WB/IMF Annual Meeting held in September 2002, when both organizations expressed their increased awareness towards the importance of the infrastructure on poverty reduction. Three months later, in December 2002 CG meeting in Vietnam, the Vietnamese government announced its intention to expand the CPRGS by adding the role of large-scale infrastructure. The decision made by the Vietnamese government to add growth-promoting elements into the PRSP was well timed and would be considered a "spearhead" of the worldwide trend.
- There was a strong pressure and incentive on the Vietnamese government side for enhancing competitiveness, particularly improving the climate for investment -- both domestic and foreign -- as the country aimed at its successful integration into the regional and world economy. Vietnam intends to fully implement AFTA by 2006 and endeavors to join the WTO by 2005. The development of the large-scale infrastructure and the improvement of investment climate have complementary role and would work together to promote robust economic growth.
- Concessional loan accounted for around eighty percent in the total ODA to Vietnam, and Japan, WB and ADB was the three major loan provider. As such, the government needed to show more consideration towards Japan's position. (Note that the IMF's Evaluation Report² pointed out as follows: "...other international stakeholders saw the

² IMF Independent Evaluation Office Evaluation of PRSPs and the PRGF, Vietnam case study, July 6, 2004

government's decision to include a chapter on "large-scale" infrastructure to have been motivated by optics related to the need to facilitate closer alignment of Japanese assistance with the CPRGS (rather than due to a lack of comprehensiveness in the original document) ")

- The change in key personnel took place. MPI Minister Phuc has deep understanding towards Japan's development philosophy and aid policy.
- The government was competent enough to prepare the additional chapter under its own initiative in terms of both the contents and the process as it has previously produced I-PRSP and the original CPRGS. In other words, the government's strong ownership existed for the CPRGS expansion initiative as well.

<Lessons learned>

- For a country like Vietnam, whose ownership is unusually strong and has already established its robust and effective policy configuration and strategic planning documents, the priority among development goals should be carefully set, by thoroughly identifying and respecting the real needs and direction of their socio-economic development.
- Main reason why Vietnam added an infrastructure chapter on the original CPRGS later on is they had a clear vision on the necessity of infrastructure development in their own strategic documents, regardless of donors' preference to large-scale infrastructure.
- What is first and foremost crucial is that donors align its aid with the national priority of the partner country. Donors are requested to assess the current situation of socio-economic development in partner countries and set the priority among development goals through a close consultation with the partner country.
- Hence, (1) dialogue between the government and donors towards the formulation and implementation of strategic development plans to ensure donors' alignment to it, and (2) donors' alignment with government's national and sector policies, strategies and priorities are crucial. Ensuring donors' support to government priorities is highly important to support ownership and to improve aid effectiveness.

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The Evolution of the Poverty Reduction Strategy Paper in Vietnam: Acknowledging the Role of Large-Scale Infrastructure on Poverty Reduction and Pro-Poor Growth -- key issues and lessons learned from the Vietnam's CPRGS Process

(background document and the input for OECD DAC Infrastructure Working Group)

Introduction

Infrastructure is recognized widely as one of the vital elements that contribute to poverty reduction and pro-poor growth. Recognizing the various linkages among infrastructure, growth and poverty reduction, it is important that “infrastructure” is properly addressed in poverty reduction strategy. Given this context, this paper discusses the “key elements and lessons learned” from the Vietnam’s experience in the evolution of the PRSP. Focusing on the “process”, it aims to provide concrete examples of “how” and “why” the role of infrastructure has been duly acknowledged in the country’s poverty reduction strategy. It also discusses the policy measures as well as policy tools to ensure the effectiveness of infrastructure investments in Vietnam.

Before identifying the “key elements and lessons learned”, following is a brief summary of the Vietnam’s PRSP (CPRGS: Comprehensive Poverty Reduction and Growth Strategy) process in sequence of major facts and events, to support better understanding of the linkages among each key element and lesson described in the later chapters. (Please refer to the Attachment 1 on the CPRGS process for details.)

< A brief summary of the Vietnam’s PRSP (CPRGS) process >

- (1) Based on the agreements among the Vietnamese government, the WB and the IMF, the government, under its strong ownership, has produced the I-PRSP and the CPRGS (Full-PRSP) on April 2001 and May 2002, respectively. The government has newly introduced these documents in spite of the existence of its own robust policy configuration that has been functioning for many years.
- (2) During and after the creation of the CPRGS, debate among donor community intensified regarding its “status” and its “coverage”. Some donors considered it as a “supplementary document”, while others regarded it as the “highest core document”. Some donors pointed out that it lacked proper attention on the growth aspect, while others seemed to be satisfied with its strong pro-poor inclination. The CPRGS has created “dual system” with the existing national plans and strategies since the government has firmly maintained the existing policy configuration on the one hand and has made strong commitment to the CPRGS on the other.
- (3) The government has decided to “expand” the CPRGS by adding the role of the large-scale infrastructure as a new chapter. Various intellectual inputs have been provided to support this initiative under the framework of government-donor partnership.
- (4) Through the CPRGS expansion process, the awareness of the importance of economic growth to poverty reduction has been raised and the government as well as the donor community has appropriately recognized the vital role of the large-scale infrastructure as an engine to growth. Importantly, various policy measures that need to be properly addressed to maximize the effectiveness of infrastructure investment have become shared recognition among the government and the donor community in Vietnam.
- (5) As a result of the CPRGS expansion in November 2003, the CPRGS has become more comprehensive and the coverage issue has been greatly improved. This fact has drawn people’s closer attention to the remaining issue of the “status” of the CPRGS, as the expanded CPRGS has become more comparable to the existing Five-Year

Socio-Economic Development Plan.

- (6) The issues related with the “dual system” are expected to resolve in the near future as the government has officially decided to integrate the CPRGS into the coming Five-Year Socio-Economic Development Plan (2006-2010 SEDP). The significant policy and institutional issues related with large-scale infrastructure investment which have been identified through the CPRGS process are expected to be reflected in the next SEDP.

Figure 1 (in chapter 7) illustrates the overall evolution process of the CPRGS showing the government’s stances and activities in comparison with those of the donors. Figure 2 (in chapter 7) shows the sequence of the government’s strategies in the CPRGS expansion process. Matrix 1 (in chapter 7) summarizes the “key elements” that led the CPRGS expansion process to success in accordance with the above sequence³: (1) Formulation-legitimization: legitimacy and incentive of the government’s decision to expand the CPRGS, (2) Constituency building: securing supporters and constituency to implement the CPRGS expansion process, (3) Resource accumulation: securing necessary resources in moving ahead with the CPRGS expansion process, (4) Organizational design: formulating necessary organizational/institutional system in order to promote the CPRGS expansion process, (5) Resource mobilization: mobilizing necessary resources in moving ahead with the CPRGS expansion process, (6) Monitoring impact: ensuring and monitoring the effectiveness of the expanded CPRGS.

Based on the process analysis of the Vietnam’s CPRGS experiences, following six items would be taken out as major points for discussion:

Relation between the CPRGS and the existing National Plans/Strategies
Difference between the CPRGS and the existing National Plans/Strategies
Vietnam’s strong ownership in the CPRGS process
Expanding the CPRGS by adding the role of “large-scale infrastructure”
Policy measures and policy tools to ensure the effectiveness of infrastructure investments
Aligning the CPRGS with the existing National Plans/Strategies

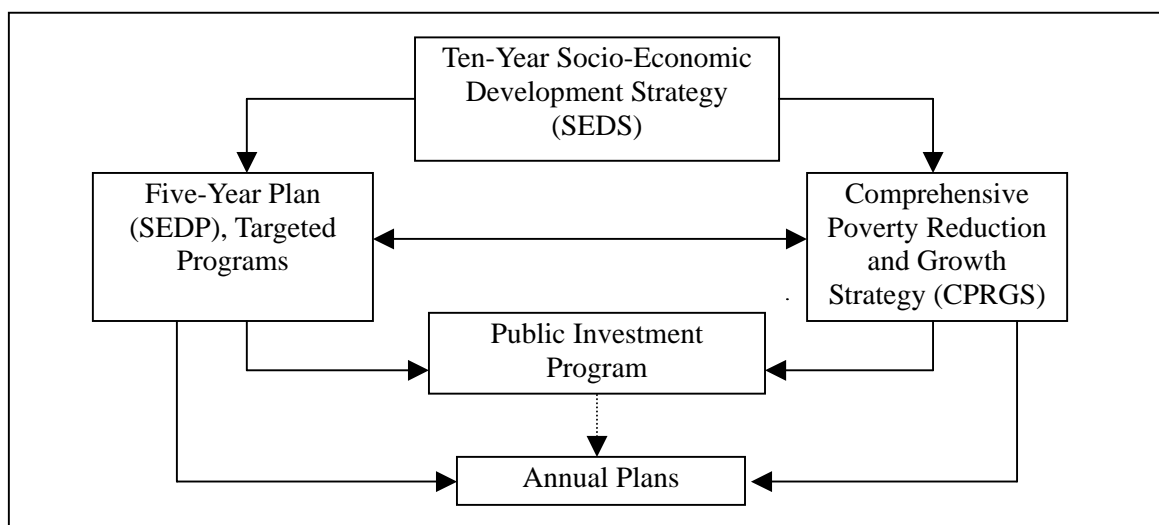
1. Relation between the CPRGS and the existing National Plans/Strategies

The Vietnamese government describes the CPRGS as an “action plan” that translates the existing National Plans and Strategies -- i.e., the Ten-Year Socio-Economic Development Strategy (2001-2010 SEDS) and the Five-Year Socio-Economic Development Plan (2001-2005 SEDP) -- into concrete measures. The SEDS and SEDP are the core documents which all sector plans, public investment plans (PIP), and annual budget allocation are guided by, and the CPRGS is regarded as their *supplementary document*.⁴ Vietnam has the existing policy configuration and the CPRGS is seen as one of the “other documents” which was never intended to become an overarching document by replacing the core documents. The differences in their formulation process symbolize their differences in terms of legitimacy and accountability -- while the core documents were reviewed by the Communist Party and related ministries and approved by the Central Communist Party Congress, the CPRGS was approved by the Prime Minister, not debated in the National Assembly.

³ The analysis has been conducted based on the classification specified in: *Managing Policy Reform -- Concepts and Tools for Decision-Makers in Developing and Transitioning Countries*, Derick W. Brinkehoff and Benjamin L. Crosby

⁴ Fostering True Ownership in Vietnam: From Donor Management to Policy Autonomy and Content, GRIPS Development Forum, November 2004

Figure 3: The relationship between the CPRGS and other existing planning documents⁵



Source: The CPRGS document, the Socialist Republic of Vietnam, November 2003

The IMF’s Evaluation Report⁶ pointed out that the donor community was the main target audience for the CPRGS, and the CPRGS initiative was adopted by the Vietnamese authorities in an effort to obtain concessional resources from the WB(IDA) and the IMF. This point could also be drawn from the fact that the government had specified in the footnote of the first CPRGS draft that (1) the purpose of producing the CPRGS was to obtain access to the WB and the IMF loans, and (2) its status was a general guideline for donors.

While firmly maintaining its existing policy configuration, the government made commitment to the CPRGS, which has created the “dual system”. As shortcomings, the “dual system” has brought about (1) limited involvement of the line ministries and local governments in the CPRGS formulation process which has led to the fact that the CPRGS was not a well-known document, and (2) debate among donor community regarding the *status* of the CPRGS. In spite of its *supplemental* role, some donors intended to align their assistance strategies to the CPRGS rather than to the SEDS and SEPD⁷. This was because international development partners attach greater importance to the PRSP principles (outcome orientation, comprehensive approach to pro-poor orientation, participatory approach etc.) that the CPRGS planning process tried to accommodate. These donors were expecting that such government’s core documents as well as the annual and multi-year budget plans, and the PIP would be integrated *to* the CPRGS over time. The matrix below summarizes the basic views of the related donors towards the status and coverage of the CPRGS.

⁵ The agenda of the first session of the CG meeting in December 2003 was “Review of progress in socio-economic development 2001-2003 to reach Vietnam’s targets for the five-year period 2001-2005, fulfilling the potential of the CPRGS – progress and challenges ahead”. The Vietnamese government has clearly set the Five-Year Socio-Economic Development Plan as the main theme of discussion, and the CPRGS issues have been discussed within this framework. This fact implies that the government has been continuously considering the CPRGS as the supplementary document of the existing National Plans and Strategies.

⁶ IMF Independent Evaluation Office Evaluation of PRSPs and the PRGF, Vietnam case study, July 6, 2004

⁷ While France, Germany and Japan maintained their position that the CPRGS was not the only core document for donors to align their assistance strategy to, the WB, ADB and several countries within the Like-Minded Donor Group took the position that the CPRGS should be the highest core document to base their assistance strategy on.

Matrix 2: The basic views of the related donors towards the *status* and *coverage* of the CPRGS

| | France, Germany, Japan | WB, LMDG ⁸ |
|--|--|---|
| The relationship between the CPRGS and the existing National Plans/Strategies | <ul style="list-style-type: none"> • The CPRGS is a supplementary document of the existing National Plans/Strategies. (An action plan that translates the government's existing plans and strategies.) • The CPRGS is not the only core document for donors to align their assistance strategy to, since it was never intended to become an overarching document by replacing the core documents. | <ul style="list-style-type: none"> • The CPRGS should be the highest core document to base donors' assistance strategy on, since its formulation process and the contents reflect much of the PRSP principles. • The CPRGS is the only document that is accountable and monitorable to the donors as it was produced under participatory approach by the government, civil society, NGOs, donors etc. |
| The legitimacy of the CPRGS | <ul style="list-style-type: none"> • The introduction of the PRSP requires prudent and cautious attitude especially in a country like Vietnam where ownership is strong and has its own policy configuration -- policy and public investment decisions are made based on the government's existing plans and strategies. | <ul style="list-style-type: none"> • The CPRGS is most suitable to be regarded as a strategic document. (Although the government's targeted poverty reduction plans such as HEPR: Hunger Eradication and Poverty Reduction Plan exist, they are weak and insufficient in terms of target setting, prioritization, monitoring system, resource allocation etc.) |
| The relationship among the CPRGS, budget and the assistance strategies of donors | <ul style="list-style-type: none"> • It is not realistic to align budget, PIP and donors' assistance to the CPRGS since the coverage of the document is not comprehensive enough to address important issues including the role of large-scale infrastructure. • Important assistance priorities still exist which has been identified in the existing national plans and strategies but not covered in the CPRGS (such as large-scale infrastructure, higher education, human resource development, private sector development etc.). | <ul style="list-style-type: none"> • It is mostly desirable to align budget, PIP and donors' assistance to the CPRGS. • The donors' country assistance strategies in the forthcoming years should be prepared in line with the CPRGS. |
| Balance between growth and poverty reduction (<i>coverage</i> of the CPRGS) | <ul style="list-style-type: none"> • The (original) CPRGS is focused too heavily on the poverty reduction aspect, not paying proper attention to the growth aspects. | <ul style="list-style-type: none"> • The CPRGS is praiseworthy in the sense that it reflects strong pro-poor inclination. |

Source: JICA Study on PRSP Process, December 2004

⁸ The Like-Minded Donor Group: the group of donors largely consisting of European countries that provides assistance mainly in grants. (including Sweden, Denmark, the Netherlands, Germany, Canada, Finland, Norway, Australia, Switzerland, and the United Kingdom)

2. Difference between the CPRGS and the existing National Plans/Strategies

The CPRGS can be interpreted as a major turning point in the planning process of Vietnam by introducing “PRSP principles”. Existing national plans and strategies were very much based on a command view of the economy. By contrast, the CPRGS endeavored to spell out clear development goals using empirical evidence and consultation to identify the policies best suited to attain those goals, aligning resources behind those policies, and setting up appropriate monitoring and evaluation mechanisms, though there still remain much room for improvement. In short, the CPRGS process symbolizes a shift in the planning process, from a target-oriented approach to one which is focused on achieving development outcomes. While recognizing that PRSP principles cover broader issues, “outcome orientation”, “participatory approach” and “comprehensive approach to pro-poor orientation” are highlighted below. With regarding “ownership”, refer to the next item: “3. Vietnam’s strong ownership in the CPRGS process”.

<Outcome orientation>

The CPRGS reflects the Vietnam Development Goals (VDGs), which are the localized version of the development targets for the implementation of the UN Millennium Development Goals (MDGs) that Vietnam committed to in 2002. The CPRGS outlines a set of 136 monitoring indicators in 3 targets in Economic Objectives and 12 targets in Social and Poverty Reduction Objectives. The set of monitoring indicators is often regarded as the main value added to the CPRGS initiative. On the implementation side, a meaningful monitoring and evaluation framework is necessary to track progress towards the goals of the plans. The framework contained in the CPRGS appears to have been ambitious and thus a prioritized implementation of the development objectives that better reflects administrative capacity is critical.

<Participatory approach>

The Ministry of Planning and Investment (MPI), which had led the work on the I-PRSP, established an inter-ministerial committee consisting of 50 officials from 16 government agencies on June 2001 to guide the drafting process. A range of stakeholders including international and local civil society organizations, NGOs, officials from the central, provincial and district levels of administration, poor communities and international development partners was involved in the process by participating in consultation workshops, regional workshops, Participatory Poverty Assessments (PPAs) etc. The government-donor-NGO Poverty Task Force (PTF), a partnership group established in 1999, has been the main point of interaction between the CPRGS drafting team and the international development partners. Subgroups within the PTF has been formed to support identify VDGs in the following eight thematic areas (Note that donors in parentheses are the lead donors that supported each initiative):

- (1) Eradicating poverty and hunger (WB);
- (2) Reducing vulnerability and providing social protection (WB and DFID);
- (3) Providing quality basic education for all (WB and DFID);
- (4) Improving health status and reducing inequalities (ADB and WHO);
- (5) Ensuring environmental sustainability (UNDP);
- (6) Promoting ethnic minority development (UNDP);
- (7) Enhancing access to basic infrastructure (JBIC); and,
- (8) Ensuring good governance for poverty reduction (ADB).

<Comprehensive approach to pro-poor orientation>

The CPRGS considers poverty is caused by factors related to inequality in regions, gender, ethnic groups and educational attainment. The CPRGS comprehensively covers the pro-poor aspects in the document. The CPRGS also recognizes that poverty is also considered as the other side of the rapid economic growth that has posed negative impacts (such as environmental

and social impacts) on the poor. Thus, the CPRGS acknowledges that while economic growth contributes to poverty reduction, the distribution of its benefits depends on the “quality” of growth. In other words, in view of the growing inequalities, “how to bring benefits of the growth to the poor” is becoming all the more important, together with the efforts to assure sustainable growth.

3. Vietnam’s strong ownership in the CPRGS process

The government’s ownership in the CPRGS process has been strong. Since the preparation of the I-PRSP in April 2000, Vietnamese government has displayed its strong ownership both in its process and its contents. The government, on its own initiative, has led the CPRGS process and determined the contents. The documents have been first drafted in the Vietnamese language, and only later selected drafts were translated in English for donor input. Looking back on the I-PRSP process, the WB has commented that it has not yet seen any other document (in the world) which had been produced under full initiative by the government. At the CG meeting in December 2002, the WB has stated that the Vietnam CPRGS was unusual, globally, in the level of government ownership, backed up by practical steps. Germany has also pointed out the government’s strong ownership in the CPRGS drafting process in comparison with other countries with the PRSP initiative. Thus, the CPRGS can be regarded as a result of a country-driven process. The MPI playing the lead role, the government has set up the inter-ministerial working group with the participation of 16 concerned ministries consisting 50 officials. The working group has been fully committed to the initiative and led this process. In addition, to show its full ownership, the government renamed PRSP to the “CPRGS”, adding the terms “comprehensive” and “growth”.

It is often pointed out that the government’s strong ownership in the CPRGS process stems from following reasons: (1) the government’s relatively high management capacity, (2) the government’s strong inclination towards keeping out donors’ (excessive) intervention, (3) the government’s relatively small reliance on the ODA, (4) the government’s strong commitment towards social equity and poverty reduction, and (5) the government’s former experience in conducting Participatory Poverty Assessment, compiling its results into the Vietnam Development Report 2000, “Attacking Poverty”.⁹

4. Expanding the CPRGS by adding the role of “large-scale infrastructure”

The original CPRGS has discussed the importance of infrastructure to growth and poverty reduction focusing on “pro-poor” infrastructure provision in four sectors: electricity, transport, irrigation and information access. To give concrete idea, the contents of the “Enhancing access to basic infrastructure”, a JBIC led PTF study mentioned previously under <Participatory approach> (7), illustrates this point clearly. The study has served as inputs to the original CPRGS formulation which focused on the identification of targets, indicators and costs associated with essential infrastructure services to poorest communes rather than those that support the overall economic growth through development of key industries. For example, it focused on rural transport network, rural electrification and irrigation systems in poorest communes, village posts and telephone lines etc. Therefore, the original CPRGS could be characterized as its rather stronger poverty orientation, considering infrastructure from the perspective of “infrastructure provision to the poor in disadvantaged areas” -- thus, the original CPRGS did not mention “large-scale” infrastructure explicitly.

⁹ JICA Study on PRSP Process, December, 2004

The IMF's Evaluation Report¹⁰ pointed out that the original CPRGS's emphasis on poverty reduction relative to growth consideration reflects a perception that the donor community was the main target audience for the document. As pointed out previously, the CPRGS was intended to serve as an "action plan" of the existing core documents, never intended to become an overarching document by replacing the core documents by the Vietnamese government. Thus, the government initially seemed to have acknowledged the fact that lack of certain dimension (i.e., the role of large-scale infrastructure serving as engine to growth) in the CPRGS would be acceptable. In fact, MARD (Ministry of Agriculture and Rural Development) admitted that issues exist which are integral part of MARD's program but not covered in the CPRGS.¹¹ MOH (Ministry of Health) has expressed the same opinion as MARD.¹² Vietnam has its own policy configuration before the introduction of the CPRGS and it has already shown its strong commitment towards both "economic growth" and "poverty reduction" in its core documents (i.e., SEDS and SEDP). In other words, Vietnamese government, as a robust action body with ownership has already confirmed strong commitment to the "economic growth" and "poverty reduction" prior to the elaboration of the CPRGS. Therefore, pro-poor inclination in the original CPRGS signals the government's perception that the existing core documents, rather than the CPRGS, would cover its strong commitment to "growth" dimension.

In the course of producing the I-PRSP, the government has already named the paper in Vietnamese language that corresponded to the meaning of the CPRGS in English (with the terms "comprehensive" and "growth"). A name "I-PRSP", however, was used then in consideration of the WB and the IMF. The vision reflected in the I-PRSP was much more comprehensive than that set out in the HEPR (Hunger Eradication and Poverty Reduction) Plan, the government's existing targeted poverty reduction plan. While the HEPR Plan, prepared under the MOLISA's (Ministry of Labor, Invalids and Social Affairs) initiative, covered policies and projects aiming at reducing poverty focusing on the poor communes and individuals, the I-PRSP attempted to link poverty reduction to macro-economic consideration. The WB has acknowledged the fact that the I-PRSP had tried to accommodate macro, structural, sectoral and social policies and programs, however, it has also pointed out that there was room for further improvement in terms of its comprehensiveness.¹³ Basing on the analysis in the "Vietnam: Attacking Poverty" report, which had compiled the results of the Participatory Poverty Assessment, the WB has emphasized that poverty has to be dealt with from many angles, with involvement of all parties. However, it did not bring up the importance of the role of the large-scale infrastructure at that time.

Subsequently, in the course of preparation of the Full-PRSP, the government renamed the PRSP to the CPRGS to (1) show its ownership as well as to (2) align its name to the Vietnamese name. However, even with some extent of macro-economic consideration to poverty reduction, the contents of the original CPRGS was focused too heavily on the poverty reduction aspects in spite of the added term "growth" in its name. Because of its pro-poor focus in the contents, the original CPRGS had inherent difficulty in enhancing alignment with the PIP, which is the official document of the Vietnamese government. One of the significant reasons that Japanese government has made proposal to "expand" the CPRGS by adding the role of large-scale infrastructure was to remove this bottleneck and to facilitate alignment between the two, namely policy and expenditure. This discrepancy has been pointed out by Japan prior to the CG meeting in December 2002, and donors including the WB, France and Germany have shown their position that would support Japan's view in their individual discussion with Japan.

¹⁰ IMF Independent Evaluation Office Evaluation of PRSPs and the PRGF, Vietnam case study, July 6, 2004

¹¹ Interview was conducted by JICA

¹² Interview was conducted by JICA

¹³ Vietnam 2010: Ensuring the 21st Century, Vietnam Development Report 2001, joint report of WB, ADB and UNDP, November 29, 2000

The government has “expanded” the CPRGS in November 2003, under the approval by the Prime Minister, in the form of a new chapter on the role of large-scale infrastructure in growth and poverty reduction. The CPRGS expansion was proposed by a group of donors including Japan and the WB at the CG meeting in December 2002. The Vietnamese government agreed to this initiative (note that major points of the discussion in the CG meeting are elaborated below).

Since the donor community worldwide was coming back to pay attention to the importance of the role of the infrastructure, the Vietnamese government’s efforts in the expansion of the CPRGS would be considered a spearhead of the worldwide trend. It would also give substantial influence not only in Vietnam but also in other countries.

<Contents (major points) of the discussion in the CG meeting in December 2002>

Japan’s statement:

- Power generation, roads, bridges, ports etc. These major infrastructures contribute to poverty reduction and economic growth in various ways. Without power supply or smooth transportation, neither vital economic activities nor income generation would take place -- thus, economic growth and poverty reduction would not be realized. As recent Vietnam’s experience shows, economic growth is a strong engine to poverty reduction.
- The CPRGS would be further improved by incorporating the role of large-scale infrastructure as well as policy measures to achieve economic growth. In other words, the CPRGS would be considered as an evolving document.
- The necessity of expanding the CPRGS is apparent from the perspective of enhancing the linkage between the PIP and the CPRGS. Major part of the PIP is related to large-scale infrastructure, while this was not substantially covered in the original CPRGS. This made it difficult for the government to “align” the PIP to the CPRGS. The expansion of the CPRGS is expected to solve this problem to a certain extent.
- Japan would be ready to make intellectual support to assist the government to expand the CPRGS, as Japan is very much concerned about “how large-scale infrastructure would contribute to economic growth and poverty reduction”. Japan would like to support this initiative in cooperation with other donors.

The WB’s statement:

- Poverty reduction cannot be achieved without economic growth and poverty reduction is necessary to achieve economic growth.
- The CPRGS is a living document and would evolve to include new analytical work and lessons learned through the monitoring information as it becomes available.
- Some gaps, particularly the linkages between large-scale infrastructure, growth and poverty reduction, could be addressed through new analysis or that could be filled as the CPRGS is updated.
- Establishing an appropriate and strong linkage between the CPRGS and the PIP is necessary -- both recurrent and capital expenditures -- to the priorities articulated in the CPRGS. The PIP is fundamentally about investment choices. The PIP would benefit greatly from a clear set of criteria for prioritization and screening projects. These criteria are essential in the task of allocating government resources to key priorities.

Vietnamese government’s (MPI Minister Phuc) response:

- The CPRGS is an on-going process and the contents should be updated. Regarding the role of infrastructure, development of roads in commune levels cannot take place without development of those in provincial levels. Thus, linking large-scale infrastructure and

pro-poor infrastructure in the poor areas is vital. In this sense, there is a missing link in the CPRGS and we must work to include this.

- We consider high and sustainable growth as an engine and precondition that creates resources for poverty reduction. Therefore, to address poverty, first of all, one needs to pay attention to growth. Once we want to look at growth and poverty reduction, we need to look at its physical content. Therefore, investment for infrastructure development constitutes an indivisible part of the CPRGS. As a result, the CPRGS needs to be further revised on the part to large scale infrastructure...We should add large-scale infrastructure development to the CPRGS in order to create momentum for economic development, with high and sustainable growth. For example, we may add the building of bridges, roads, highways, ports, power plants, and a power transmission system that aim at poverty reduction, as I mentioned to you. And I also suggest that early next year, when we review the implementation of the CPRGS, we will officially amend with a legal document by the government.

Minister Phuc concluded that the CPRGS would be expanded and all the participants in the CG meeting confirmed the *legitimacy* of the government's decision. The government's *incentive* for coming up with this conclusion would be analyzed as follows:

- (1) Vietnam has its own policy configuration before the introduction of the CPRGS and it has already shown its strong commitment towards both "economic growth" and "poverty reduction" in its core documents (i.e., SEDS and SEDP). In other words, Vietnamese government, as a robust action body with ownership has already confirmed strong commitment to the "economic growth" and "poverty reduction" prior to the elaboration of CPRGS.
- (2) Debate among donor community(*) regarding the *coverage* of the CPRGS has been taking place, and the government has endeavored to make sure the "role of infrastructure" considering the balance between economic growth and poverty reduction.
(*) France, Germany and Japan considered that the CPRGS was focused too heavily on the poverty reduction aspects, neglecting growth. Whereas, the WB, DFID and several countries within the Like-Minded Donor Group took the position that the pro-poor orientation of the CPRGS is quite good. The debate among the donors seemed to have facilitated the government to show its own position towards the issue.
- (3) Donor community has repeatedly pointed out the importance of strengthening the alignment between the CPRGS and the PIP. However, critical bottleneck existed as the CPRGS lacked its provision on the role of the large-scale infrastructure, which the major part of the PIP occupies.
- (4) There was a shift in the worldwide trend towards perception of the role of the infrastructure. The WB and the IMF have also revisited the importance of the role of infrastructure, which affected the donor community in Vietnam to realize its vital role. The turning point would be the WB/IMF Annual Meeting held in September 2002, when both organizations expressed their increased awareness towards the importance of the infrastructure on poverty reduction. Three months later, in December 2002 CG meeting in Vietnam, the Vietnamese government announced its intention to expand the CPRGS by adding the role of large-scale infrastructure. The decision made by the Vietnamese government to add growth-promoting elements into the PRSP was well timed and would be considered a "spearhead" of the worldwide trend.
- (5) There was a strong pressure and incentive on the Vietnamese government side for enhancing competitiveness, particularly improving the climate for investment -- both domestic and foreign -- as the country aimed at its successful integration into the regional and world economy. Vietnam intends to fully implement AFTA by 2006 and endeavors to join the WTO by 2005. The development of the large-scale infrastructure and the

improvement of investment climate have complementary role and would work together to promote robust economic growth.

- (6) Concessional loan accounted for around eighty percent in the total ODA to Vietnam, and Japan, WB and ADB was the three major loan provider. As such, the government needed to show more consideration towards Japan's position. (Note that the IMF's Evaluation Report¹⁴ pointed out as follows: "...other international stakeholders saw the government's decision to include a chapter on "large-scale" infrastructure to have been motivated by optics related to the need to facilitate closer alignment of Japanese assistance with the CPRGS (rather than due to a lack of comprehensiveness in the original document) ")
- (7) The change in key personnel took place. MPI Minister Phuc has deep understanding towards Japan's development philosophy and aid policy.
- (8) The government was competent enough to prepare the additional chapter under its own initiative in terms of both the contents and the process as it has previously produced I-PRSP and the original CPRGS. In other words, the government's strong ownership existed for the CPRGS expansion initiative as well.

To carry out the conclusion at the CG meeting in December 2002, the MPI as the head of the Inter-ministerial Working Group, a team of 19 members, who were senior managers and experts from relating ministries and agencies, was formed on March 2003. The Working Group has met several times to discuss the detailed outline of the chapter. Outline draft has also been commented by relating agencies and donors, and was circulated at local levels for further feedback. Two workshops were held to get comments from wider stakeholders including international donor community. Several donors (which have been actively involved in Vietnam's infrastructure development including Japan) have assisted the government particularly in the area of conducting analytical framework on how large-scale infrastructure can contribute to sustainable growth and poverty reduction in the country.

As such, the intellectual inputs to the efforts by the Vietnamese government on the expansion of the CPRGS have been provided within the multi-donor framework, under the government-donor partnership. Various donors including the WB¹⁵, the ADB, AusAID¹⁶, DFID¹⁷ and Japan (JBIC) have each made presentation on their analytical studies at the above workshop, which showed their strong interest and active involvement towards this initiative. Out of the two analytical studies conducted by Japan: (1) "*Linking Economic Growth and Poverty Reduction, Large-Scale Infrastructure in the Context of Vietnam's CPRGS*" by GRIPS Development Forum, and (2) "*Impact Assessment of Transport Infrastructure Projects in Northern Vietnam*", (1) has served as an "umbrella" study of various inputs made by various donors. This GRIPS study has focused on three cases on large-scale infrastructure projects in the transport and power sectors under operation:¹⁸

- Case Study 1: Improvement of National Highway No.5 and the expansion of the Hai Phong Port (funded by Japan/JBIC and Taiwan, completed in 2000);
- Case Study 2: Construction of the My Thuan Bridge (funded by Australia, completed in 2000) and the improvement of National Highway No.1 (co-financed by the WB, the ADB, and Japan/JBIC, with the southern Ho Chi Minh City-Can Tho section,

¹⁴ IMF Independent Evaluation Office Evaluation of PRSPs and the PRGF, Vietnam case study, July 6, 2004

¹⁵ The WB has made presentation on its analytical study, *Empirical Assessment of the Public Investment Program 1996-2000*

¹⁶ AusAID has made presentation on its study, *My Thuan Bridge Study*

¹⁷ DIFD has made presentation on its study, *Study of Road Network Impacts on the Poor*

¹⁸ *Linking Economic Growth and Poverty Reduction, Large-Scale Infrastructure in the Context of Vietnam's CPRGS*, November 2003. GRIPS Development Forum.

- completed in 1999) and;
- Case Study 3: Development of overall power supply capacity and regional electrification, including the construction of the North-South 500kv transmission line (financed by the Vietnamese government, completed in 1994).

In addition, the following cases have been analyzed to obtain diverse perspectives on the role of large-scale infrastructure in poverty reduction and growth.

- Case Study 4: Accessibility and road network, in light of “economic distance” and “connectivity” to markets (based on the UK/DFID experience of rural road projects in Hung Yen and Lai Chau provinces);
- Case Study 5: Accessibility and road network, in light of access to social service delivery (based on the experience with the Japan/JICA-supported Reproductive Health Project in the Nghe An province); and
- Case Study 6: Effective demand for highway construction (based on Japan/JBIC-financed National Highway No.18).

As emphasized in the MPI Minister Phuc’s statement at the CG meeting, the new chapter recognizes the role of large-scale infrastructure as a pre-requisite condition and motivation to promote economic growth and the changes of economic structure which aim to serve industrialization and modernization. The CPRGS has fully incorporated donors’ analytical contribution on “how large-scale infrastructure would contribute to economic growth and poverty reduction”. That is, the interaction between growth and poverty reduction in three channels: (1) *direct channel*, which impacts the poor directly (such as programs for basic health, sanitation, education, and rural roads); (2) *market channel*, where growth helps the poor via economic linkages (such as inter-sectoral and inter-regional labor migration, increased demand, reinvestment through formal, informal and internal finance); and (3) *policy channel*, which supplements the market channel and guides the development process toward greater equity (through subsidies, fiscal transfer, public investment, and proper design of trade, investment and financial policies and so on).¹⁹

The CPRGS has become further comprehensive with the inclusion of the role of large-scale infrastructure as one of the growth promotion measures. The CPRGS expansion has opened the prospect of rethinking public investment priorities from the perspective of economic growth and poverty reduction. The new chapter offers the prospect of rethinking PIP, and its place in the overall planning and budgeting process.

5. Policy measures and policy tools to ensure the effectiveness of infrastructure investments

The significant achievement of the CPRGS expansion is that the awareness of the importance of economic growth to poverty reduction was raised and that the vital role of the large-scale infrastructure was appropriately recognized by the government as well as the donor community. At the CG meeting in December 2003, when the government presented the CPRGS with the approved new chapter, donor community congratulated the inclusion of the new chapter. At the same time, various donors pointed out with one voice that challenges lie ahead since necessary policy measures should be properly addressed to maximize the effectiveness of infrastructure investment.

¹⁹ *Linking Economic Growth and Poverty Reduction, Large-Scale Infrastructure in the Context of Vietnam’s CPRGS*, November 2003. GRIPS Development Forum. Note that this analytical study has greatly contributed to the government’s CPRGS expansion initiatives as an effective input.

The government and the donor community have agreed at the CG meeting that in developing the next PIP it would be critical to focus on a number of issues:²⁰

- Improving efficiency in public investments. Prioritizing public investments should involve an analysis of their contribution to growth and poverty reduction and there should be no assumption that all infrastructure projects would necessarily yield positive returns. Weak planning, inefficient implementation, corruption, and lack of evidence-based allocations, all contribute to poor (and worsening) performance. This inefficiency diverts resources away from other high priority investments. Though large-scale infrastructure could play an important role in growth promotion, it would not necessarily do so if the wrong investments were chosen or if the projects were poorly conceived or badly-managed.
- Balancing economic and social investment between richer and poorer areas.
- Integrating capital and recurrent expenditures to ensure adequate maintenance of public infrastructure and the optimum development impact of all public spending.
- Recognizing that often times expenditure on O&M might yield higher returns than investment in new projects.
- Improving access of the poor to infrastructure.
- Observing environmental and social safeguards.

The government had duly anticipated number of policy issues pointed out at the CG meeting during the drafting process -- thus, the new chapter has identified following important policy measures to be dealt with along with the physical investment in infrastructure. The following three important measures have been highlighted in the above-mentioned GRIPS's study as the key issues for future strategic planning.

The infrastructure development needs to focus on the "quality" of investment, and not only on its quantity. In light of significant fiscal implications of infrastructure investments, it is important to give due attention to the issues specific to sector policies and project management -- particularly, selection criteria, financing, maintenance, and the regulatory framework for infrastructure investments and operations. This is essential to ensure the sustainability of investments in large-scale infrastructure. Continued institution building efforts are necessary to promote the following measures -- covering fiscal and financial aspects, sector policies and project management:²¹

- Measures to ensure appropriate resource allocation (e.g., selection and allocation procedures, recurrent financing)
- Measures to make inputs into infrastructure effective (e.g., mobilization of diverse resources, enabling environment & sector policies, the network effect -- maximizing synergy effects of different levels of infrastructure, effective and transparent project management that would lead to reducing fiduciary risks, O&M)
- Measures to mitigate possible negative impacts (e.g., appropriate handling of the environmental and social impacts, resettlement and compensation)

Support for: (1) institution building and policy reform, (2) developing large-scale infrastructure projects properly considering pro-poor dimension, and (3) developing

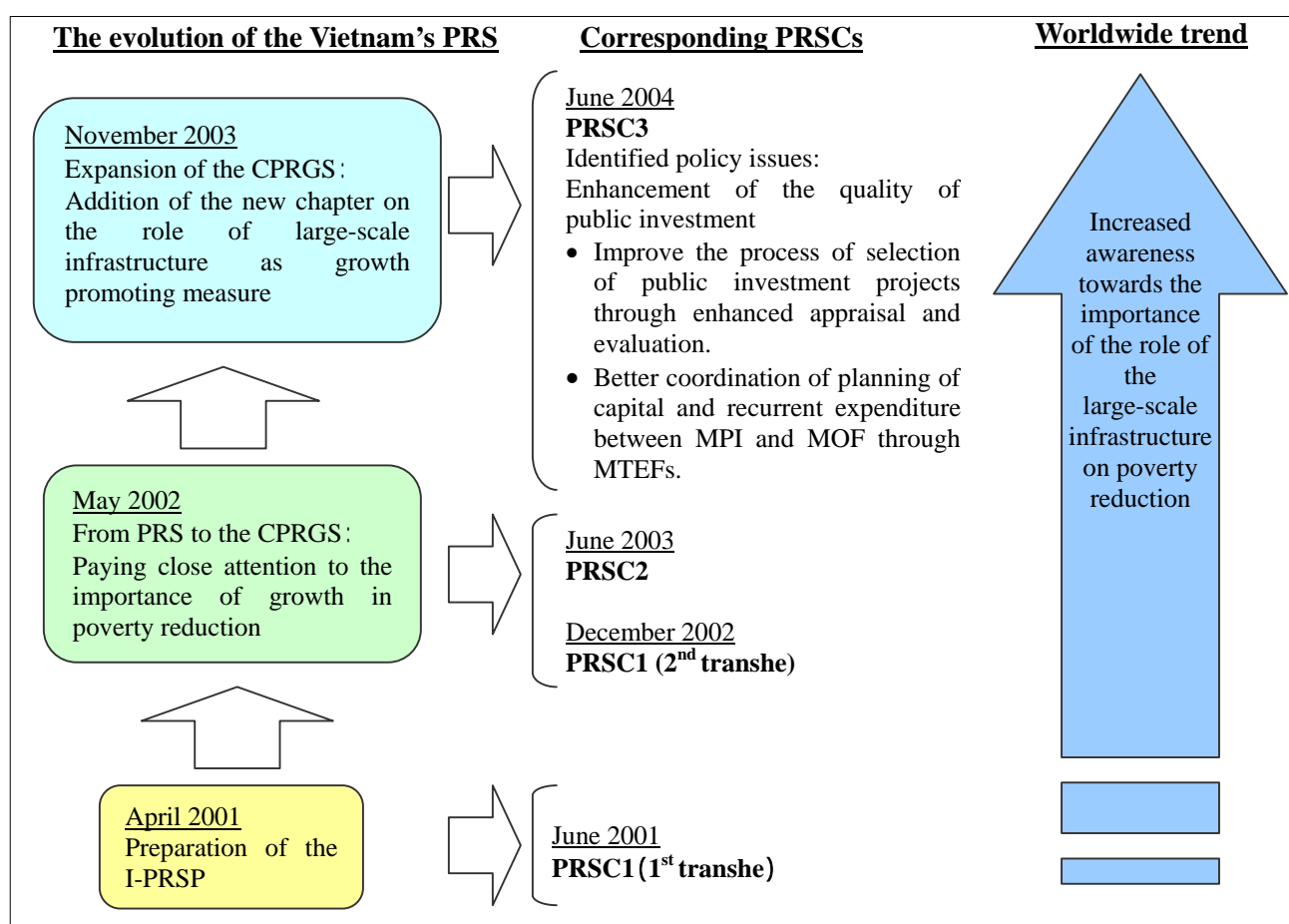
²⁰ The WB's Summary Statement, the Consultative Group Meeting for Vietnam Hanoi, December 2-3, 2003

²¹ *Linking Economic Growth and Poverty Reduction, Large-Scale Infrastructure in the Context of Vietnam's CPRGS*, November 2003, GRIPS Development Forum.

infrastructure projects that directly address poverty reduction in disadvantaged areas, will have mutually reinforcing impacts. Such initiatives will eventually lead to appropriate resource allocation, bringing benefits of the growth to the poor and assure sustainable growth.

In supporting Vietnam’s development efforts, the Poverty Reduction Support Credit (PRSC) functions as one of the effective tools to promote its reform program through multilateral policy dialogue. The PRSC process in Vietnam has become the major framework for policy dialogue between the government and the international donor community at large.²² It covers overall policy issues of the reform program being undertaken by the Vietnamese government, including infrastructure, public financial management, planning process, public administration reform, governance etc. Taking into account of the current reform progress in Vietnam, important policy reform agenda related with infrastructure development is addressed under “infrastructure”, “public financial management”, and “planning process” in the policy matrix. (for specific policy actions identified in the PRSC, see next chapter 6.) Following figure illustrates the relationship between the evolution of the Vietnam’s Poverty Reduction Strategy (PRS), the specific PRSCs that correspond to each of the PRS, and a shift in the worldwide trend towards perception of the role of the infrastructure within the donor community.

Figure 4: The evolution of the Vietnam’s PRS with its corresponding PRSCs and the worldwide trend towards perception of the role of the infrastructure



Source: Related documents from JBIC

²² Japan has participated in this initiative from the PRSC3, and has pledged to the Vietnamese government a 2 billion yen co-financing loan on June 2004. This is to be Japan’s first co-financing loan for the PRSC in the world.

The PRSC is the essence of the most important milestones for policy agenda which the individual partnership groups are dealing with in their daily, continuous efforts. Thus, collaboration with partnership group activities has enabled the PRSC's operation to constantly monitor and evaluate Vietnam's reform program, and provide credit to its achievements.

Following specific efforts, which have been implemented individually, have increased their effectiveness by the introduction of the PRSC initiative (synergy effects among various policy tools):

- Harmonization of project preparation²³ (leading to better planning process, better guidelines for feasibility study (F/S), simpler procedures for ODA approval etc.)
- Portfolio Review (enhancing project implementation)
- Comprehensive Capacity Building Program for ODA management²⁴ (leading to reform institutional framework of ODA, addressing structural issues etc.)
- Amendment of ODA related laws and regulations (improving ODA Decree 17²⁵, Construction and Investment Decree 52/12/7, Procurement Ordinance, Procurement Decree 88/66 etc.)
- Transport Partnership (improving investment efficiency including operation and maintenance, securing adequate budget, and coordination between capital and recurrent budget etc.)
- Poverty Task Force (improving the quality of PIP, considering project selection criteria, considering relation between PIP and poverty reduction etc.)

²³ Streamlining of project preparation procedures and standards are considered essential to improving Vietnam's ODA disbursement rate, while maintaining a high program quality. The five banks (ADB, AFD, JBIC, KfW and WB) and the government have agreed to work towards establishing capacity, procedures and standards on the Vietnamese side that would gradually reduce the need for additional expertise and documentation from the banks with the ultimate objective to reach a unified process that meets the appraisal requirements of the five banks and the government. (Source: Harmonization and Alignment for Greater Aid Effectiveness in Vietnam -- Report 2004, Partnership Group for Aid Effectiveness, December 2004)

²⁴ A comprehensive approach to capacity building was designed and launched during 2004, with financing from LMDG, and WB/Japan PHRD grant. They key objectives of this Comprehensive Capacity Building Program (CCBP) are to (i) strengthen the legal and institutional framework for ODA management, (ii) develop an overall strategy for ODA project management capacity building in Vietnam, (iii) provide problem-solving support to ODA projects experiencing implementation difficulties and (iv) facilitate the introduction and implementation of new aid modalities in Vietnam. (Source: Harmonization and Alignment for Greater Aid Effectiveness in Vietnam -- Report 2004, Partnership Group for Aid Effectiveness, December 2004)

²⁵ Decree 17 (issued in May 2001) is the highest-level legal document governing the use and management of ODA resources in Vietnam. Over the past three years, this Decree has played an important role in strengthening the overall framework for aid management. However, a number of gaps calling for a revision of the document have been identified (*). To undertake a revision, an ad-hoc government Inter-Ministerial Task Force has been established and the government is working on with the draft, making use of inputs provided from the donor community. (Source: Harmonization and Alignment for Greater Aid Effectiveness in Vietnam -- Report 2004, Partnership Group for Aid Effectiveness, December 2004)

(*) Challenges identified in the existing framework include: (a) inconsistency between this framework and other ODA-related legal regulations, especially in the area of investment and construction management, (b) insufficient coverage of a wider range of financing options other than project aid modality; and (c) lack of strong foundation for promoting donor harmonization and alignment with the government systems and procedures.

Box 1: Cases of PRSP in Africa

Looking out for cases in other countries, PRSPs have been widely introduced in many developing countries including Sub-Sahara Africa since 1999. Unlike the case in Vietnam, PRSPs have replaced the existing national development plans in most of these countries. And those PRSPs had more or less the same features such as more focus on poverty reduction aspects and less so on productive sectors including infrastructure (although both trunk and feeder road were often recognized as one of the priorities). As PRSPs have become important documents as part of the strategic information to prepare budget guidelines in those countries, financial resource was not allocated to a certain policy unless the policy was adopted as one of the priority issues. As a result of this trend, more resources have been allocated to social sectors rather than productive sectors including infrastructure.

To some extent, this prioritization has worked toward enhancing resource utilization under scarce financial envelope and improving alignment of national development plan with priority sectors' development plan. However, incentives for the recipient government to improve alignment between these plans have reduced for non priority sectors including infrastructure because there were little possibility for increased resource allocation for those sectors identified in the PRSP.

As major portion of the development budget has been financed by donors in most of Sub Sahara African countries, most of the resources allocated to road sectors, for example, have been financed by donors, and not from domestic resources. Even for sectors with their own strategic plans, the selection of actual projects to be implemented has been very much influenced by financial decision made by the donors. Sector strategic plans themselves remain to be very weak in infrastructure sector since donors' decision on financing would reflect the priority areas for implementation.

Recently, some countries are producing the new version of PRSPs. Efforts have been seen to meet the alignment challenges. For example, Tanzania's first PRSP was prepared in 2001 and the new version of the PRSP is about to be finalized. In the new version, Tanzania government renamed PRSP to the "National Strategy for Growth and Reduction of Poverty (NSGRP)" with a term "growth". The NSGRP has given more attention to setting outcome targets (rather than focusing on input/output) in various areas including growth aspects. This reform towards outcome orientation in planning has stimulated related ministries with former non priority sectors including infrastructure to strengthen alignment between their sector strategies and the NSGRP. A shift in the planning process from more of an input/output approach to one which is focused on achieving development outcomes has also encouraged related ministries to strengthen linkages between well prioritized actions with resources. After the NSGRP is finalized, related ministries both in social sectors and productive sectors including infrastructure, are supposed to revise their strategic plans in order to strengthen alignment of their prioritized actions with the NSGRP.

6. Aligning the CPRGS with the existing National Plans/Strategies

After the approval of the CPRGS, "CPRGS roll out" (implementation of the CPRGS) was launched in early 2003 in order to facilitate its alignment to the provincial plans and sectoral strategies. Its goal is to gradually shift the preparation of provincial and sectoral plans and budgets from a command mentality to an approach based on identifying goals at the local level and supporting their attainment through reliance on empirical evidence and popular consultation.

Currently, there are 20 pilot provinces to integrate the CPRGS process into local and sector planning under the support by 15 donors. It is expected that by 2008 all 64 provinces will have switched to the new approach.

Activities undertaken through this initiative are as follows:

- Roll-out of the CPRGS into provincial planning process;
- Roll-out of the CPRGS into the sectoral strategies;
- Regional Poverty Assessment (RPA).

The Joint Staff Assessment conducted by the WB and the IMF (May, 2002) has addressed following important issues to be considered during the implementation of the CPRGS:

- (1) Need for raising awareness of the CPRGS within the central government;
- (2) Need for strengthening the involvement of the local governments towards the CPRGS process;
- (3) Need for strengthening the involvement of the sectoral/line ministries towards the CPRGS process;
- (4) Need for strengthening the monitoring and evaluation system of the CPRGS;
- (5) Need for strengthening the linkage between the CPRGS and the resource allocation.

Among the issues where further improvement is required, donor community has been continuously pointing out the importance of strengthening the alignment between the CPRGS and the PIP (i.e., (5) above). Following are the examples of the policy actions identified in the PRSC initiative (PRSC3) to ensure appropriate resource allocation.

- Improve the process of selection of public investment projects through enhanced appraisal and evaluation.

Among the weakness of public investment in Vietnam, “how to make resource allocation in the most appropriate manner” is an issue of great importance. The significance of this issue is not only for the large-scale infrastructure, but is related to all the development activities in general. Establishing proper, transparent investment selection criteria through enhanced appraisal and evaluation, and enhanced public participation is vital. In Vietnam, the mechanisms to screen eligible capital expenditures are still under development. Selecting investment projects based on concrete analyses of impacts on each period, each region and each sector, clearly identifying the beneficiaries and appropriately addressing potential trade-offs between growth and poverty reduction objectives is urgently needed. Also, the methodology for estimating future operation and maintenance costs is still insufficiently institutionalized and future budgetary implications of each capital investment are not well considered in the project appraisal stage. Thus, careful appraisal of public projects is becoming crucial, as returns on new investments can be expected to decline with the accumulation of considerable infrastructure assets. To keep the quality of infrastructure assets in good operating conditions, maintenance budgets needs to expand in line with the increasing stock of infrastructure. Currently in Vietnam, the revision of the related laws and regulations addressing the above issues is underway and donors are supporting the government’s initiative through various measures.

- Better coordination of planning of capital and recurrent expenditure between MPI and MOF (Ministry of Finance) through MTEFs.

One of the main weaknesses of the current PIP in Vietnam is that PIP remains basically a compilation of projects submitted by line ministries, provincial governments and General

Corporations (SOEs), without much screening or overall coherence. The disconnection between capital and recurrent expenditures exists in the budget process, resulting in poor maintenance and operation of infrastructure. This is due to the insufficient coordination mechanism between MPI and MOF, compounded by the insufficient integration of planning and spending processes in Vietnam. The integration of these two components of expenditures, fully taking into account the maintenance implications of infrastructure projects, would be a key step towards improved planning.

Although Medium-Term Expenditure Framework (MTEF) has not been developed in sectors related with large-scale infrastructure at the moment, through its introduction, considering planning and spending of budget process on a longer time horizon, would provide a stronger foundation for proper consideration of operation and maintenance costs. In Vietnam, there is currently a plan to develop MTEFs in 4 sectors that play a direct role in reducing poverty and keeping development inclusive: education, health, agriculture and transport. Currently, only the education sector has piloted a “shadow” MTEF, under improved accounting systems and control procedures by MOF. Looking forward, the MTEF pilot is expected to extend to other sectors in the future.

The preparation of the next SEDP (2006-2010) has been on going within the Vietnamese government. On September 2004, the Prime Minister approved the Directive (No.33/2004/CT-TTg) in developing the SEDP 2006-2010. The Directive clearly referred to the incorporation of measures to realize objectives set in the CPRGS and VDGs into the plans, and requires the renewal of both content and planning measures. Thus, the SEDP 2006-2010 is expected to contain characteristics of the CPRGS approach (i.e., outcome orientation, participatory approach, comprehensive approach to pro-poor orientation etc.) in terms of the contents of the plans as well as the process of forming, implementing and monitoring plans.

As such, the integration of the CPRGS into the SEDP is expected which would facilitate the CPRGS target achievements as well as lowering transaction cost by putting an end to the “dual system”. Thus, the CPRGS will be mainstreamed into the government planning processes and it is presumed that the next round of the CPRGS would not be prepared. Especially, stronger linkages with sector plans, budget and PIP will be promoted to realize more realistic and feasible plans. Donors warmly welcome the government’s intention of aligning the CPRGS with the SEDP and are supporting the government in various ways to contribute to the next SEDP drafting process. The significant policy and institutional issues related with large-scale infrastructure investment which have been identified through the CPRGS process are expected to be reflected in the next SEDP.

7. Main lessons learned and summary of the CPRGS process and the “key elements” that led the CPRGS expansion to success

One of the most important lessons that can be drawn from the CPRGS process in Vietnam is that **“for a country like Vietnam, whose ownership is unusually strong and has already established its robust and effective policy configuration and strategic planning documents, the priority among development goals should be carefully set, by thoroughly identifying and respecting the real needs and direction of their socio-economic development.”** Main reason why Vietnam added an infrastructure chapter on the original CPRGS later on is they had a clear vision on the necessity of infrastructure development in their own strategic documents, regardless of donors’ preference to large-scale infrastructure (needless to say, certainly, donors had played a catalytic role in facilitating Vietnam’s decision making). In this sense, what is first and foremost crucial is that donors align its

aid with the national priority of the partner country. This can be applied when the partner country develop PRS as a dual policy. In the case of Vietnam, donors tend to call upon the partner country to develop PRS, in which priority among development goals was not necessarily coherent with real needs and directions of their socio-economic development. This means that higher prioritized goal was set for poverty reduction objectives rather than economic growth aspects as seen in many PRS. As for infrastructure issue, it is regarded as a lower priority issue than necessary. To avoid this situation, donors are requested to assess the current situation of socio-economic development in partner countries and set the priority among development goals through a close consultation with the partner country.

With regards to meeting the alignment challenge between the original CPRGS and the PIP, had it not been for the CPRGS expansion, such initiative was unrealistic. Dual system might have been avoided if the donors had been flexible enough to pay closer attention to the Vietnamese government's own system. One of the motivations for Japan to come up with the proposal to expand the CPRGS was to remove the bottleneck for pursuing alignment between policy and expenditure, and this statement has been consistent throughout the CPRGS process. On the other hand, external factor such as the change in worldwide trend towards perception of the role of the infrastructure has become a big push for advancing Japan's suggestion -- this very fact could be considered as donor driven initiative.

The important lessons drawn from the Vietnam's experience would lead to the idea of **“alignment to government sector strategies”** that is: **(1) dialogue between the government and donors towards the formulation and implementation of strategic development plans to ensure donors' alignment to it, and (2) donors' alignment with government's national and sector policies, strategies and priorities are crucial.** Ensuring donors' support to government priorities is highly important to support ownership and to improve aid effectiveness.

Figure 1: The overall evolution process of the CPRGS in Vietnam

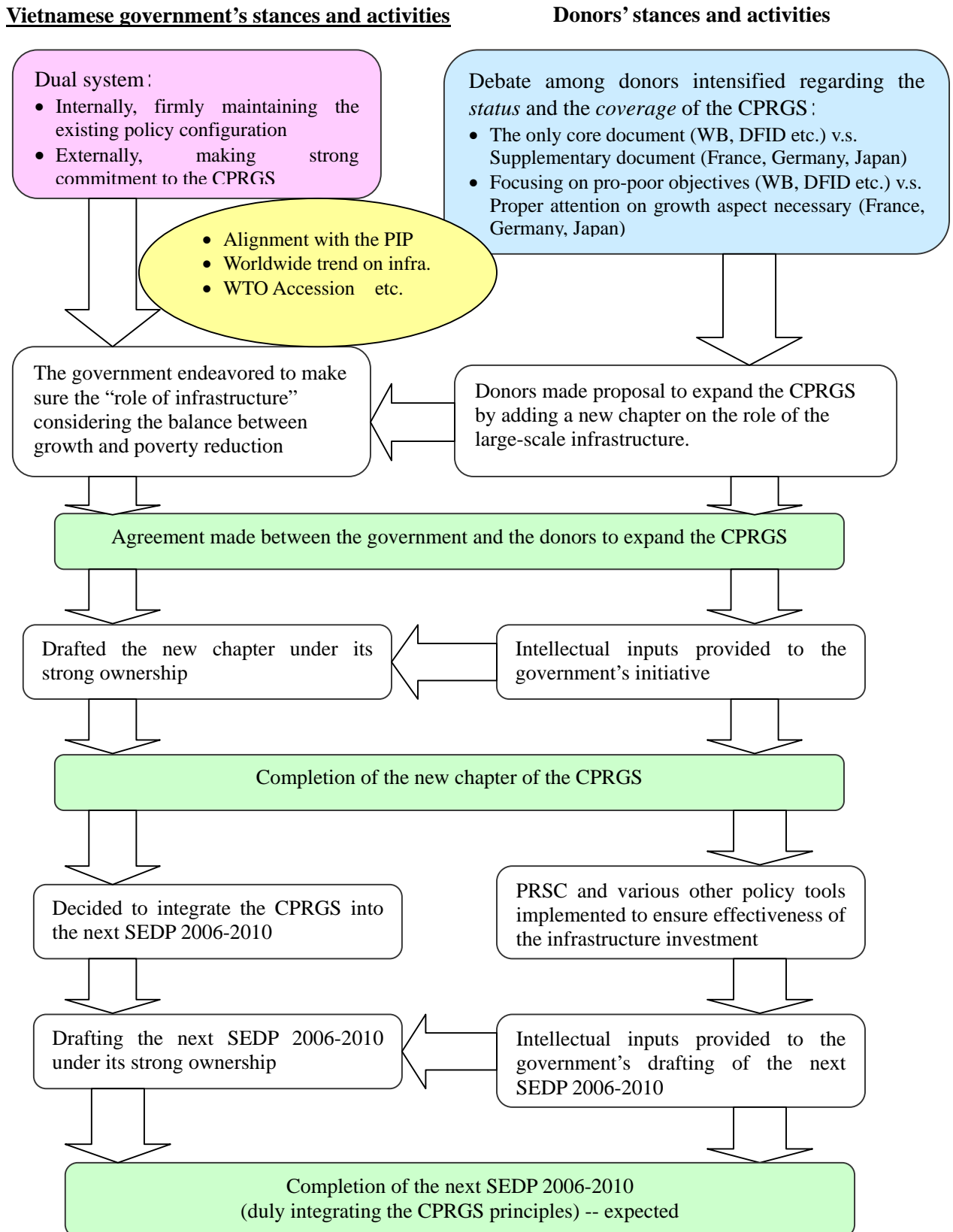
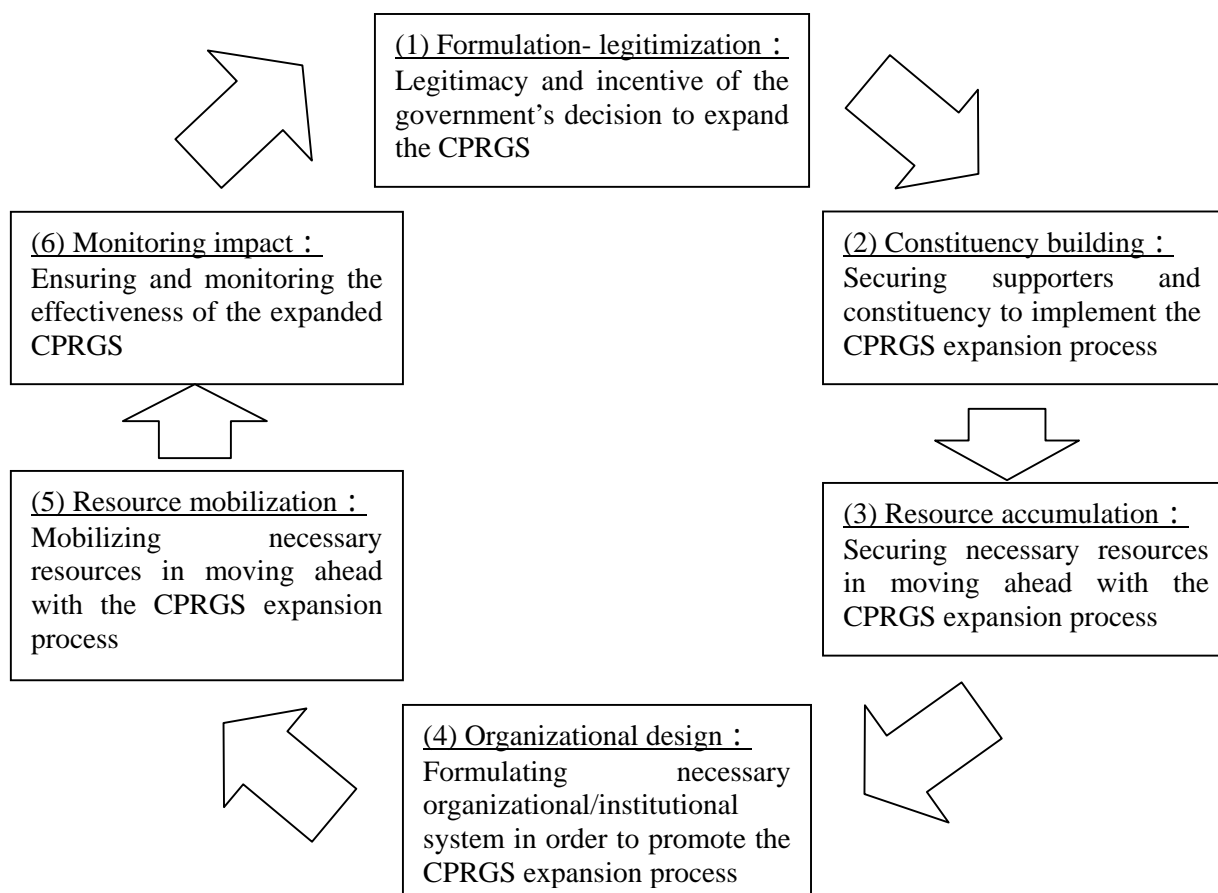


Figure 2: The sequence of the CPRGS expansion process in Vietnam



Matrix 1: The “key elements” that led the CPRGS expansion process to success

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|--|
| <p>(1) <u>Formulation- legitimization</u> : Legitimacy and incentive of the government’s decision to expand the CPRGS</p> |
| <ul style="list-style-type: none"> • Vietnam has its own policy configuration before the introduction of the CPRGS and it has already shown its strong commitment towards both “economic growth” and “poverty reduction” in its core documents (i.e., SEDS and SEDP). In other words, Vietnamese government, as a robust action body with ownership has already confirmed strong commitment to the “economic growth” and “poverty reduction” prior to the elaboration of CPRGS. • Debate among donor community(*) regarding the <i>coverage</i> of the CPRGS has been taking place, and the government has endeavored to make sure the “role of infrastructure” considering the balance between economic growth and poverty reduction. (*) France, Germany and Japan considered that the CPRGS was focused too heavily on the poverty reduction aspects, neglecting growth. Whereas, the WB, DFID and several countries within the Like-Minded Donor Group took the position that the pro-poor orientation of the CPRGS is quite good. The debate among the donors seemed to have facilitated the government to show its own position towards the issue. • Donor community has repeatedly pointed out the importance of strengthening the alignment between the CPRGS and the PIP. However, critical bottleneck existed as the CPRGS lacked its provision on the role of the large-scale infrastructure, which the major part of the PIP occupies. |

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| <ul style="list-style-type: none"> • There was a shift in the worldwide trend towards perception of the role of the infrastructure. The WB and the IMF have also revisited the importance of the role of infrastructure, which affected the donor community in Vietnam to realize its vital role. The turning point would be the WB/IMF Annual Meeting held in September 2002, when both organizations expressed their increased awareness towards the importance of the infrastructure on poverty reduction. Three months later, in December 2002 CG meeting in Vietnam, the Vietnamese government announced its intention to expand the CPRGS by adding the role of large-scale infrastructure. The decision made by the Vietnamese government to add growth-promoting elements into the PRSP was well timed and would be considered a “spearhead” of the worldwide trend. • There was a strong pressure and incentive on the Vietnamese government side for enhancing competitiveness, particularly improving the climate for investment -- both domestic and foreign -- as the country aimed at its successful integration into the regional and world economy. Vietnam intends to fully implement AFTA by 2006 and endeavors to join the WTO by 2005. The development of the large-scale infrastructure and the improvement of investment climate have complementary role and would work together to promote robust economic growth. • Concessional loan accounted for around eighty percent in the total ODA to Vietnam, and Japan, WB and ADB was the three major loan provider. As such, the government needed to show more consideration towards Japan’s position. (Note that the IMF’s Evaluation Report²⁶ pointed out as follows: “...other international stakeholders saw the government’s decision to include a chapter on “large-scale” infrastructure to have been motivated by optics related to the need to facilitate closer alignment of Japanese assistance with the CPRGS (rather than due to a lack of comprehensiveness in the original document) ”) • The change in key personnel took place. MPI Minister Phuc has deep understanding towards Japan’s development philosophy and aid policy. • The government was competent enough to prepare the additional chapter under its own initiative in terms of both the contents and the process as it has previously produced I-PRSP and the original CPRGS. In other words, the government’s strong ownership existed for the CPRGS expansion initiative as well. |
| <p>(2) Constituency building :</p> <p>Securing supporters and constituency to implement the CPRGS expansion process</p> |
| <ul style="list-style-type: none"> • Support from the related ministries was duly secured under the strong leadership and ownership by the government (the Prime Minister’s Office and the MPI). Prime Minister’s Directive has been issued. • Support from various donors including the WB, the ADB, AusAID, DFID, Japan etc. has been expressed. |
| <p>(3) Resource accumulation :</p> <p>Securing necessary resources in moving ahead with the CPRGS expansion process</p> |
| <ul style="list-style-type: none"> • Necessary human resources and funding arrangements have been secured. The Prime Minister has assigned the MPI as the head of the Inter-ministerial Working Group. <ul style="list-style-type: none"> ➢ Human resources: The MPI officials and senior managers and experts from relating ministries and agencies to draft the new chapter have been secured. ➢ Financing arrangements: The PRSP trust fund by the WB, financial assistance from Japan etc. have been secured. |
| <p>(4) Organizational design :</p> <p>Formulating necessary organizational/institutional system in order to promote the CPRGS expansion process</p> |
| <ul style="list-style-type: none"> • The MPI as the head of the Inter-ministerial Working Group, a team of 19 members, who were senior managers and experts from relating ministries and agencies, was formed. |

²⁶ IMF Independent Evaluation Office Evaluation of PRSPs and the PRGF, Vietnam case study, July 6, 2004

(5) Resource mobilization :

Mobilizing necessary resources in moving ahead with the CPRGS expansion process

- The government, on its own initiative and ownership, has led the CPRGS expansion process and drafted the new chapter. (The Inter-ministerial Working Group has met several times to discuss the detailed outline of the chapter. Outline draft has also been commented by relating agencies and donors, and was circulated at local levels for further feedback.)
- Two workshops were held to get comments from wider stakeholders including international donor community. Several donors (which have been actively involved in Vietnam's infrastructure development including Japan) have assisted the government particularly in the area of conducting analytical framework on how large-scale infrastructure can contribute to sustainable growth and poverty reduction in the country.
- Basically, the Poverty Task Force, the government-donor-NGO partnership group has become the platform of the discussion on the CPRGS expansion issues.

(6) Monitoring impact :

Ensuring and monitoring the effectiveness of the expanded CPRGS

- Continuous monitoring of the CPRGS implementation has been going on through the CPRGS roll out initiative (CPRGS progress report has been produced by the government).
- Following policy tools have been utilized to ensure the effectiveness of the infrastructure investment:
 - PRSC initiatives
 - Harmonization of project preparation (leading to better planning process, better guidelines for feasibility study (F/S), simpler procedures for ODA approval etc.)
 - Portfolio Review (enhancing project implementation)
 - Comprehensive Capacity Building Program for ODA management (leading to reform institutional framework of ODA, addressing structural issues etc.)
 - Amendment of ODA related laws and regulations (improving ODA Decree 17, Construction and Investment Decree 52/12/7, Procurement Ordinance, Procurement Decree 88/66 etc.)
 - Transport Partnership (improving investment efficiency including operation and maintenance, securing adequate budget, and coordination between capital and recurrent budget etc.)
 - Poverty Task Force (improving the quality of PIP, considering project selection criteria, considering relation between PIP and poverty reduction etc.)

Attachment 1

CPRGS Process in Vietnam*

| | Vietnamese government | Donor Community |
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| December, 1999 | <u>CG Meeting</u> <ul style="list-style-type: none"> • Vietnam Development Report 2000: “Attacking Poverty” was presented. • Poverty Working Group (PWG), a key forum for government, donors and NGOs to debate on poverty reduction strategy, led the implementation of the Vietnamese version of the Participatory Poverty Assessment (PPA), and compiled its output into the “ Attacking Poverty ” . • Poverty Task Force (PTF), the government-donor-NGO partnership group was established by related stakeholders who were involved in the preparation of the “ Attacking Poverty ” under the framework of PWG. • The government and the donors agreed to prepare the Comprehensive Poverty Reduction Strategy (CPRS) -- PTF has initiated its drafting. The CPRS was prepared based on the “Attacking Poverty” report. | |
| April, 2000 | <p style="text-align: center;">Based on the agreement among the Vietnamese government, the WB and the IMF, the government has decided to introduce PRSP in Vietnam.</p> <p style="text-align: center;">(Donors involved in the PTF activities have expressed their support to the government’s initiative.)</p> | |
| | MPI : drafting of the I-PRSP commenced <ul style="list-style-type: none"> • Comments from donors were gathered several times. | PTF : Monthly meetings were held to discuss the structure and contents of the CPRS |
| June, 2000 | <ul style="list-style-type: none"> • I-PRSP was produced under the government’s strong ownership. • Donors and NGOs took part in the discussion. | PTF : Presentation from the WB and the IMF regarding PRSP. Discussion among donors on the relationship between PRSP and CPRS activated. |
| July, 2000 | Following three documents were produced in parallel: <ul style="list-style-type: none"> • I-PRSP • Ten-Year Socio-Economic Development Strategy (2001-2010) • Five-Year Socio Economic Development Plan (2001-2005) | PTF : Workshop held in Sapa. Structure, contents and schedule for CPRS preparation were discussed. |
| October, 2000 | PTF : MOLISA made presentation on its draft HEPR (Hunger Eradication and Poverty Reduction) Plan Debate intensified among donors and NGOs on the relationship among CPRS, HEPR and PRSP | |

* Source: JICA Study on PRSP Process, December 2004

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| December, 2000 | <u>CG Meeting</u> Draft I-PRSP was presented. | |
| March, 2001 | Final draft of the I-PRSP was presented to the WB and the IMF. Prime Minister approved the I-PRSP | PTF : DFID pointed out the need for localizing the MDGs based on the actual situation in Vietnam. |
| April, 2001 | Ninth Party Congress held : The government presented the Ten-Year Socio-Economic Development Strategy (SEDS, 2001-2010) and the Five-Year Socio-Economic Development Plan (SEDP, 2001-2005) to the Congress. | Joint Staff Assessment conducted by the WB and the IMF on the I-PRSP The WB and IMF Board jointly approval the I-PRSP. |
| May, 2001 | Preparation of the Full-PRSP commenced after the approval of the I-PRSP. | PTF : the WB and the UNDP made proposal to localize the MDGs for the preparation of the Full-PRSP. Agreement made to conduct study for identifying the Vietnam Development Targets (VDTs). |
| | | IMF : Financing through the Poverty Reduction Growth Facility (PRGF) was announced. (U\$ 368 mil. for three years) |
| June, 2001 | <ul style="list-style-type: none"> • MPI was assigned as the head ministry in charge of the preparation of the Full-PRSP. • Inter-Ministerial Working Group was established. (16 organizations with 50 staffs) • Poverty unit was established within the related ministries and agencies. | WB : Financing through the Poverty Reduction Support Credit (PRSC) was announced. (U\$ 250 mil. for two years) |

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| July, 2001 | <p>The study focused on rural transport network, rural electrification and irrigation systems in poorest communes, village posts and telephone lines etc. rather than those that support the overall economic growth through development of key industries.</p> <p>In the course of producing the I-PRSP, the government has already named the paper in Vietnamese language that corresponded to the meaning of the CPRGS in English (with the terms “comprehensive” and “growth”). In the course of preparation of the Full-PRSP, the government renamed the PRSP to the CPRGS to (1) show its ownership as well as to (2) align its name to the Vietnamese name.</p> | <p>PTF : Subgroups within the PTF was formed to support identify VDGs in the following eight thematic areas: Donors in parentheses are the lead donors that supported each initiative.</p> <ol style="list-style-type: none"> (1) Eradicating poverty and hunger (WB); (2) Reducing vulnerability and providing social protection (WB and DFID); (3) Providing quality basic education for all (WB and DFID); (4) Improving health status and reducing inequalities (ADB and WHO); (5) Ensuring environmental sustainability (UNDP); (6) Promoting ethnic minority development (UNDP); (7) Enhancing access to basic infrastructure (JBIC); and, (8) Ensuring good governance for poverty reduction (ADB). |
| August, 2001 | <p>The government renamed the Full-PRSP to the CPRGS : Comprehensive Poverty Reduction and <u>Growth</u> Strategy)</p> | |
| | <p>PTF : The government presented the structure of the CPRGS.</p> | |

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| September, 2001 | 50 members from the CPRGS Inter-Ministerial Working Group participated in the Workshop. (Participants from MPI, CIEM, MARD, MOH, MOET, MOT, CEMMA etc.) | PTF : Workshop held in Hai Phong. Based on the draft VDTs report, intensive discussion was held among the member of the related ministries/agencies, donors and NGOs. The donor community made proposal to set 11 goals and 25 targets as Vietnam Development Goals (VDGs). |
| October, 2001 | Advisory Committee was established to supervise the activities by the CPRGS Inter-Ministerial Working Group. | PTF : Draft VDTs report was distributed. |
| December, 2001 | <u>CG Meeting</u> : <ul style="list-style-type: none"> • Detailed outline of the CPRGS was presented. • Out put from the VDTs study was presented. • "Harmonization of the aid procedures" became one of the agenda for the CG Meeting for the first time. | |
| January, 2002 | MPI : The government presented the first CPRGS draft to donors. The footnote of the draft stated that (1) the purpose of producing the CPRGS was to obtain access to the WB and the IMF loans, and (2) its status was a general guideline for donors. (The footnote was later deleted as the CPRGS process proceeded.) | |
| January-March, 2002 | Workshop was held within the country (northern, central and southern areas, respectively) to disseminate and discuss the CPRGS draft nationwide. | |
| May, 2002 | Prime Minister approved the CPRGS(=Full-PRSP) | |

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| May, 2002 | <p><u>Mid-term CG Meeting</u> The government presented the approved CPRGS. The government described the final CPRGS document as an “action plan” that translates the existing National Plans and Strategies -- i.e., the Ten-Year Socio-Economic Development Strategy (2001-2010 SEDS) and the Five-Year Socio-Economic Development Plan (2001-2005 SEDP).</p> <p>【The basic views of the related donors towards the status and coverage of the CPRGS】</p> <p><u>Status of the CPRGS:</u></p> <ul style="list-style-type: none"> • France, Germany and Japan considered the CPRGS as a “supplementary document” • The WB and LMDG donors regarded it as the “highest core document” <p><u>Coverage of the CPRGS:</u></p> <ul style="list-style-type: none"> • France, Germany and Japan pointed out that it lacked proper attention on the growth aspect. • The WB and LMDG donors seemed to be satisfied with its strong pro-poor inclination. | |
| | | <p>The Joint Staff Assessment conducted by the WB and the IMF addressed following important issues to be considered during the implementation of the CPRGS:</p> <ol style="list-style-type: none"> (1) Need for raising awareness of the CPRGS within the central government; (2) Need for strengthening the involvement of the local governments towards the CPRGS process; (3) Need for strengthening the involvement of the sectoral/line ministries towards the CPRGS process; (4) Need for strengthening the monitoring and evaluation system of the CPRGS; (5) Need for strengthening the linkage between the CPRGS and the resource allocation |
| June, 2002 | | The report on the VDTs study (VDG) was publicized. |
| July, 2002 | | The WB Board approved the CPRGS. |
| August, 2002 | PTF : Discussion held on the implementation issues of the CPRGS. | |

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| September, 2002 | Inter-Ministerial Working Group on the CPRGS implementation was established. | WB : Announced at the PTF on the creation of the multi-donor trust fund to support the CPRGS implementation. |
| | | <p>WB, IMF Annual Meeting : shift in perception toward the role of infrastructure was seen.</p> <ul style="list-style-type: none"> • The WB and the IMF admitted in the PRPS progress report that the initial PRSP fell short of the analysis on “sources of growth” as well as “policy measures to promote growth”. • The WB and the IMF reconfirmed the importance of trade as sources of growth and poverty reduction and pointed out that the trade agenda to be mainstreamed. |
| October, 2002 | <p>The CPRGS Workshop was held in Hai Phong. Discussion among the government officials, donors and NGOs was held based on the policy matrix of each sector for the implementation of the CPRGS.</p> | |
| December, 2002 | <p><u>CG Meeting</u> :</p> <p>Responding to the proposal made by the Japanese government, agreement was made between the Vietnamese government and donors to expand the CPRGS by adding a new chapter on the role of large-scale infrastructure.</p> <p><u>Vietnamese government’s (MPI Minister Phuc) response:</u> “The CPRGS is an on-going process and the contents should be updated. Regarding the role of infrastructure, development of roads in commune levels cannot take place without development of those in provincial levels. Thus, linking large-scale infrastructure and pro-poor infrastructure in the poor areas is vital. In this sense, there is a missing link in the CPRGS and we must work to include this.”</p> | |
| | PIP (2001-2005) completed. | |

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| January, 2003 | Inter-Ministerial Working Group established for the CPRGS implementation. | <p>PTF : Main activities identified for year 2003:</p> <ul style="list-style-type: none"> • Roll-out of the CPRGS into provincial planning process; • Roll-out of the CPRGS into the sectoral strategies; • Regional Poverty Assessment (RPA) <p>Donors commenced/conducted following analytical studies for inputs:</p> <ul style="list-style-type: none"> • WB: Empirical Assessment of the Public Investment Program 1996-2000 • AusAID: My Thuan Bridge Study • DIFD: Study of Road Network Impacts on the Poor • Japan: Linking Economic Growth and Poverty Reduction, Large-Scale Infrastructure in the Context of Vietnam's CPRGS, and Impact Study on Northern Infrastructure |
| March, 2003 | <p>• With the MPI as a head ministry, Inter-ministerial Working Group was formed to draft the new chapter of the CPRGS</p> <p>• PTF : Discussion on the CPRGS Roll-out was held.</p> <ul style="list-style-type: none"> • Roll-out of the CPRGS into provincial planning process; • Roll-out of the CPRGS into the sectoral strategies; • Regional Poverty Assessment (RPA). | |
| May-June, 2003 | PTF : Regional workshop in eight areas was held as part of CPRGS roll-out initiative. | |
| June, 2003 | <p>PTF : MPI announced the plan for introducing pilot MTEF in four sectors (education, health, agriculture and transport) to strengthen alignment between the CPRGS and resource allocation.</p> <p><u>Mid-term CG Meeting</u> : Intensive discussion took place among participants regarding the CPRGS expansion and the CPRGS roll-out.</p> <p>Co-chairs (Vietnamese government and the WB) have both emphasized the importance of the balance between economic growth and poverty reduction. Other donors also supported the statement made by the government and the WB on the balance between growth and poverty reduction.</p> | |
| August, 2003 | PTF : Participatory Poverty Assessment (PPA) based on the results from the VHLSS(2002) conducted (by WB, ADB, JICA, AusAID, UNDP, DFID, GTZ) -- the output was compiled into the Vietnam Development Report (VDR) "Poverty". | |

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| September, 2003 | <p>Workshop held on the expansion of the CPRGS.</p> <p>MPI : Basic framework of the new chapter presented from MPI.</p> | <p>Donors : Presentation on analytical studies made by related donors and active discussion took place.</p> |
| November, 2003 | <p>PTF : Second workshop on the expansion of the CPRGS held. (Donors actively commented on the draft new chapter.)</p> <p>MPI : Presented the latest draft on the new chapter and the draft CPRGS progress report.</p> | |
| <p>Prime Minister approved the new chapter of the CPRGS</p> | | |
| December, 2003 | <p><u>CG Meeting</u> :</p> <ul style="list-style-type: none"> • New chapter on the CPRGS presented. • CPRGS progress report presented. <p>Following issues were identified as future issues to cope with:</p> <ul style="list-style-type: none"> Integration of the CPRGS into the next SEDP Strengthening the linkage among the CPRGS and resource allocation and budget management. Promotion of participatory process by local residents in the decision making process at the local level. | <p>Donor community congratulated the inclusion of the new chapter. At the same time, various donors pointed out with one voice that challenges lie ahead since necessary policy measures should be properly addressed to maximize the effectiveness of infrastructure investment.</p> <ul style="list-style-type: none"> • Improving efficiency in public investments. • Balancing economic and social investment between richer and poorer areas. • Integrating capital and recurrent expenditures to ensure adequate maintenance of public infrastructure and the optimum development impact of all public spending. • Recognizing that often times expenditure on O&M might yield higher returns than investment in new projects. • Improving access of the poor to infrastructure. • Observing environmental and social safeguards. |