



Canadian International  
Development Agency

Agence canadienne de  
développement international



CIDA's Country Development  
Programming Framework  
for **VIETNAM**

2004–2009

Canada 





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Programming Framework  
for VIETNAM  
2004-2009**

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December 2004

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Catalogue No. CD4-20/2004E-PDF

ISBN 0-662-39171-3

Cover photo: © Rick Collins

Printed in Canada



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# INTRODUCTION

Known as the “next Asian Tiger,” Vietnam is one of the most dynamic and influential economies in Southeast Asia today. The Government of Vietnam undertook a series of major economic reforms in the late 1980s that, together with a strong entrepreneurial tradition among its people, are leading the country from a planned to a market economy. However, despite impressive growth, Vietnam remains one of the world’s low-income countries and certain regions and groups are being left behind.

In May 2002, the Government of Vietnam released the country’s Comprehensive Poverty Reduction and Growth Strategy (CPRGS),

around which the international donor community, including CIDA, is rallying its support. CIDA’s Country Development Program Framework (CDPF) 2004-2009 is aligned with this made-in-Vietnam plan for poverty reduction, and aligned with the donor community’s well-established donor coordination and harmonization efforts.

CIDA’s overall goal is to reduce the percentage of poor and hungry households. Its objectives are:

- to support equitable economic growth through reforms that promote transparent and accountable governance;

- to improve rural livelihoods through support for agriculture and rural development; and
- to improve access to quality basic education, especially for the rural poor and disadvantaged boys and girls.

Gender equality and environmental sustainability are important elements which cut across all CIDA activities in Vietnam.



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## AT A GLANCE: CIDA'S BILATERAL PROGRAM

| Objective   | Expected Results   |
|---|--|
| <p>More equitable economic growth along with more transparent and accountable governance</p>          | <ul style="list-style-type: none"> <li>• Strengthened national and subnational Government of Vietnam capacity to implement reforms that favour equitable economic growth and integration</li> <li>• Strengthened capacity of selected financial and legal/judicial sector institutions to achieve transparent and accountable governance in support of equitable economic transition</li> </ul>  |
| <p>Improved rural livelihoods through support for agriculture and rural development</p>               | <ul style="list-style-type: none"> <li>• Improved national capacity to meet international standards for food quality, develop domestic markets, and gain access to international markets</li> <li>• Improved viability of small and medium-sized enterprises operating in rural areas, and improved business environment for them</li> <li>• Improved rural livelihoods for the poor in selected areas of North Central Vietnam and the Mekong Delta region</li> </ul> |
| <p>Improved access to quality basic education for the rural poor and disadvantaged girls and boys</p> | <ul style="list-style-type: none"> <li>• Strengthened capacity at the Ministry of Education and in provincial departments to plan and implement Education for All initiatives</li> </ul>   |

**Crosscutting theme: gender equality and environmental sustainability**

# WHY VIETNAM?

Vietnam's continuing poverty and the commitment of its government to reform provide a clear opportunity for progress in poverty reduction and sustainable development. In addition, it is in Canada's interest to nurture our relationship with Vietnam through development cooperation, which provides a foundation for mutual benefits over the longer term. Since 1990, when Canada resumed its bilateral cooperation with Vietnam, there has been a surge of interest from the Canadian private sector, non-governmental organizations (NGOs), and universities and colleges, all of whom are now active in Vietnam. Exchanges involving Canadian youth and various technical experts have also built strong linkages between our two countries.

Canada is home to approximately 250,000 Vietnamese-Canadians and two-way trade has steadily increased at an average rate of 27 percent per year since 1990. By 2002, trade between Canada and Vietnam amounted to \$354 million. Finally, development cooperation with Vietnam is consistent with Canadian foreign policy. It supports economic and governance transformation in Vietnam that will contribute to growth, prosperity, and stability in the Asia-Pacific region.

## AT A GLANCE: VIETNAM

Capital: Hanoi  
Government: Communist  
Total area: 329,560 km<sup>2</sup>  
Population: 82.7 million  
Population growth: 1.3%  
Religions: Buddhist, Hoa Hao, Cao Dai, Christian, indigenous, Muslim  
Life expectancy: 70.4 years  
Infant mortality: 29.9 per 1,000  
Literacy: 90.3%  
GDP: US\$35.1 billion  
GDP growth (2004): 7.5% (est.)  
GDP per capita: US\$436  
Inflation: 3.1%  
External debt: US\$14.7 billion

Sources: UNDP Human Development Report 2004; US Central Intelligence Agency World Factbook 2004; World Bank, Vietnam Development Report, 2004.



# DEVELOPMENT CONTEXT

## The Setting

In one remarkable decade, the 1990s, Vietnam achieved immense economic progress. The number of people living in poverty fell from 75 percent of the population in 1990 to 29 percent in 2002, and income per capita rose from US\$115 in 1990 to US\$436 in 2003. Land redistribution following de-collectivization in the late 1980s led to rising rural incomes and transformed Vietnam into one of the world's leading rice exporters. In 1987, Vietnam enacted its first foreign investment legislation, opening up its economy to the world.

Despite this progress, there are pockets of poverty in Vietnam, mostly in remote rural areas and among ethnic minorities. The government's aim is to encourage equitable growth and reduce poverty, and this is the focus of CIDA's assistance program.

## Pursuit of competitiveness

Within the context of Southeast Asia's economic boom in the 1990s, Vietnam's economic reforms—official recognition of the private sector in the 1992 Constitution, the abolition of state price controls, and the introduction of macroeconomic stabilization measures—provided the foundation for sustained growth. The government had few poverty-reduction programs during those years; however, growth in the agricultural sector boosted rural incomes thanks to impressive productivity gains and diversification into processing and light industrial activities.

Vietnam's current economic agenda is driven by the self-imposed deadline of a December 2005 accession to the World Trade Organization (WTO). That agenda includes expanding international trade, attracting foreign investment, and improving commercial competitiveness. A number of roadblocks have been removed, but the state still has a strong role in the economy. The economy has recovered from the 1997 downturn, fuelled by export growth and domestic investment in several key sectors, including industry and construction, services and agriculture, and forestry and fisheries. The economy is expected to grow by 7.5 percent in 2004 and observers expect that Vietnam will continue roughly at this rate for the next several years. A measure of the health of the economy is the fact that exports account for at least 50 percent of GDP, and foreign direct investment has surpassed official development assistance.



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## Social and environmental costs and benefits

During the 1990s, Vietnam raised enrolment rates at the primary level from 80 percent in 1990 to nearly 94 percent by 2000. However, for many, including ethnic minority children, there is no access to education, while for others, access to quality education remains an issue. Vietnam also made gains in health over the decade: life expectancy rose from 64 to 70 years, infant mortality declined from 40 deaths per 1,000 live births to 29, and under-five mortality dropped to 38 per 1,000 from 54.

Despite the growth in the economy, many Vietnamese live only marginally above the poverty line, and are constantly at risk of falling back into poverty. Roughly 90 percent of Vietnam's poor live in rural areas—the poorest of the poor live in the remote and mountainous

regions—and depend on agriculture for their livelihoods. They are particularly vulnerable to economic shocks caused by natural disasters, illness, climatic variations, and environmental degradation. Like the urban poor, they lack resources and access to credit that could help them lift themselves out of poverty.

The natural environment has deteriorated rapidly since 1992; natural habitats, coral reefs, and mangroves have all suffered. Further, efforts to improve competitiveness in the industrial sector have not been matched with investments in clean production and pollution reduction. Vietnam has a sound legal framework for environmental protection and natural resource conservation; however, only one percent of the budget is devoted to these areas.

## Government accountability

Vietnam is a one-party state with a highly centralized governance system. However, historically, there has been room for individual and community initiatives at the local level, such as private agricultural production or free markets, which have driven reforms at the national level. Recent reforms to promote more accountable government, improve the economy's legal and regulatory frameworks, and fight corruption have made the government more transparent and increased the level of public participation in governance. The current decentralization program has reinforced these trends at the local level.

At the same time, the National Assembly is exerting more authority and demanding more accountability from the executive branch of the government, and there was a rise in the number of non-party candidates running in the 2002

national election. NGOs are also becoming more independent and more influential and are now officially participating in government-donor meetings.

## Equity

There are key inequalities in Vietnamese society—between urban and rural households, between ethnic minorities and the majority Kinh people, between women and men, and between poor and more prosperous regions of the country. The Government of Vietnam is concerned about these gaps and is addressing problems of minority groups with targeted welfare programming.

Further, international obligations, including those related to WTO accession, may reinforce these efforts by giving rise to greater respect for the rule of law and movement to build the necessary institutions. At the same time, however, the government places a high value on stability and security, which it seeks to preserve in the face of rapid economic and social transformation.

In general, there have been improvements in Vietnam's human rights record in the past decade, but more needs to be done. Today, donors can discuss a range of issues with their Vietnamese counterparts, which until recently would not have been open for discussion.

Vietnam has established a strong record on gender equality; primary and secondary school enrolments are gender-balanced and women occupy 27.3 percent of seats in the National Assembly. Nevertheless, there is still a gap between the sexes, particularly in the ability to access and take advantage of opportunities. In

rural areas, women tend to stay on the land while men seek non-farm employment. However, in many cases, land use rights are the exclusive preserve of men, limiting women's access to credit, tools, and extension services. In the urban areas, women tend to concentrate in state-owned enterprises and the informal sector, where wages and job security are both low.



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## THE MADE-IN-VIETNAM DEVELOPMENT VISION

Vietnam is internationally recognized as one of only a handful of countries that have produced a high-quality, long-term development vision as expressed in its Comprehensive Poverty Reduction and Growth Strategy (CPRGS). The CPRGS emphasizes that economic growth is a necessary condition for poverty reduction and the strategy attaches considerable importance to addressing the needs of vulnerable groups, including ethnic minorities. It also highlights the need for legal and public administration reform to improve professionalism, capacity, and accountability within the public service. It advocates for the rule of law and calls for an end to corruption and waste. It also calls for more vigorous implementation of the decentralization program and for greater public participation in governance.

Vietnam has identified its own Vietnamese Development Goals, which are based on the Millennium Development Goals. The CPRGS sets targets for the reduction of the number of poor and hungry households in Vietnam, and its priorities are as follows:

- Agriculture and rural development
- Health
- Training and education
- Transport
- Science and technology
- Environmental protection

With this strategy, the Government of Vietnam has taken strong ownership and leadership in its own national development process, and has actively consulted with the people of Vietnam in its design. A permanent secretariat has been set up to monitor and evaluate the implementation of the strategy, and numerous workshops have been held to continue to refine and develop it and to ensure that it will be implemented in a way that benefits the poor and reduces inequality. The government has actively included donors in developing and implementing the CPRGS, and many donors have aligned their own country assistance strategies to it.

# WHAT CIDA IS DOING

Total Canadian aid to Vietnam from all channels from 1990 to 2003 amounts to approximately \$218 million. In the early years, the program focused on building relationships. Many partnerships were formed between universities and other institutions and within the private sector, particularly after the Team Canada mission in 1994. Among the major initiatives CIDA supported in the late 1990s were rural poverty reduction, legal reform, environmental governance, small and medium-sized business development, agricultural and industrial training, basic education, and gender equality. Although a relatively small donor, Canada has been able to influence policy dialogue through its bilateral relationship and its membership in the Like-Minded Donors Group (LMDG, a group of ten bilateral donors who cooperate on aid policies and programming in support of the CPRGS). Among the key issues Canada has been able to promote are modern governance and legal reform, as well as gender equality and environmental sustainability.

## Governance

CIDA's support to governance programming will help Vietnam to achieve its economic transition (reduce poverty, protect its economy, and realize its goal of joining the WTO) and contribute to more transparent and accountable governance. Three important areas of governance—legal reform, financial sector reform, and public administration reform—all support the transition and figure prominently in the CPRGS.

Under this CDPF, CIDA will program in these areas through participation in broader multidonor policy reform efforts which

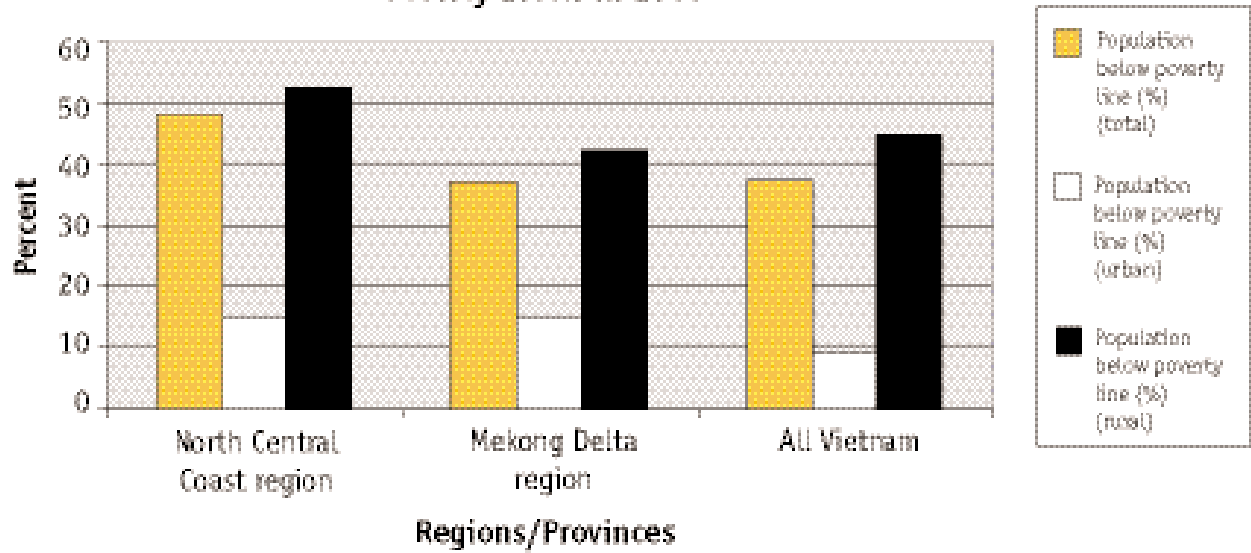
reinforce the trend in Vietnam toward strong donor-government partnerships and donor-donor collaboration. In addition, we will identify complementary and separate institutional capacity-building projects that build on Canadian strengths in both legal reform and financial sector reform, including banking.

CIDA will also support the decentralization program through both governance and agriculture/rural development initiatives.

## Agriculture and rural development

CIDA will support the strengthening of national capacity in meeting international standards for food quality, developing well-functioning domestic markets, and gaining better access to international markets. This includes building on the achievements of the Rural Poverty Reduction Program (RPRP), which focuses on the Mekong River Delta, a region suffering from a rapid rise in income inequalities, and the North Central region where there are high poverty rates and a large and diverse ethnic population. The RPRP includes small-scale infrastructure, social services, and livelihood improvement for rural populations.

### Poverty Levels in 2000







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## Basic education

Human resource development is essential to building the base for a successful, globally integrated market-based economy. The Government's National Education For All Action Plan has attracted the support of several donors, including CIDA, in a Primary Education for Disadvantaged Children program. CIDA has established a Trust Fund to support basic education, managed by the World Bank, to strengthen the Ministry of Education and Training's ability to plan and manage education initiatives. The Trust Fund will expand to the provincial level and CIDA will seek other opportunities to provide program support for basic education.

## Cross-cutting themes

CIDA will continue to advocate for the full inclusion of gender equality considerations not only in its own programming, but also in the implementation of the CPRGS, within LMDG initiatives, and through government-donor dialogue in the Consultative Group. CIDA will also continue to integrate environmental sustainability considerations across all program areas as well as support specific initiatives. These include enhancing environmental governance, strengthening small-scale infrastructure in agriculture and rural development projects, and mitigating the impact of natural disasters on poor populations.

## Working in harmony

Guided by CIDA's policy statement on aid effectiveness, the Vietnam program will build on the strengths of a development process that is locally owned and that benefits from a high degree of donor coordination and harmonization. CIDA will be supporting large-scale, multidonor initiatives that involve pooled funding in such areas as basic education, and will work to harmonize program performance measurement standards with other donors. CIDA will also continue to build on smaller complementary projects.

CIDA will also coordinate its various channels of aid to Vietnam, including its support to Canadian NGOs working with Vietnamese groups, and its support to multilateral organizations. This coordination will increase knowledge and information sharing, exchange of best practices, and joint activities such as joint program design and implementation activities.



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## **VIETNAM: A MODEL OF DONOR COORDINATION**

There is a well-established record of donor coordination in Vietnam, beginning in 1998 with the formation of 25 government/donor/NGO sectoral working groups. These groups were mandated to study how the government could achieve its objectives, what role donors and others could play, and how to measure progress. Their recommendations fed into the eventual formulation of the CPRGS, and they continue to play an important role in Vietnam's development progress.

The activities and partnerships formed during this process have created an institutional framework for donor coordination and have made Vietnam a testing ground for new programming and partnership approaches. Harmonization among donors and between donors and the Government of Vietnam, occurs both at the policy and the operational levels. Twice-yearly government-donor Consultative Group meetings benefit from the analyses and recommendations of the working groups and help partners to arrive at common positions. CIDA, as a member of the Like-Minded Donors Group, has supported operational harmonization and coordination as a priority within the CPRGS. This has involved supporting capacity building for the Government of Vietnam in areas like aid management and implementation, public financial management and procurement, and new approaches to aid that involve joint programming and budgeting.

# CONCLUSION

Vietnam's plans and priorities are in place and the donor community is lined up in support. The biggest challenge facing Vietnam today is to ensure that the benefits of economic growth are fairly and equitably distributed. As noted in the CPRGS, continued economic growth and poverty reduction will depend on development planning and public investments that benefit the poor. The evolution of donor harmonization in Vietnam, combined with the Government of Vietnam's strong ownership of the development process and its own reform programs, provide a solid foundation for continuing progress. CIDA is contributing by aligning its programming approach with the goals and objectives of Vietnam's CPRGS and building on more than a decade of Canada-Vietnam development cooperation.



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