

Country strategy for development cooperation

Vietnam

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REGERINGSKANSLIET

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Country strategy for Swedish development cooperation with Vietnam 2004–2008

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1 Summary

In recent years Vietnam has been successful in reducing poverty in terms of material resources. As regards improvements for the poorest segments of the population, Vietnam has seen a reduction in food poverty since the early 1990s. General indicators of human development, including literacy rate, rate of enrolment in education and life expectancy are much higher than in countries with a similar income level. However, looking at poverty from a broader perspective – lack of power, opportunities and security – developments have been less positive. Furthermore, in spite of a growth process that has benefited the poor in many ways, there are great inequalities between urban and rural areas as well as between ethnic minorities and the majority *kinh*. The single-party system remains in place and even though the country has signed the UN Convention on Civil and Political Rights, respect for the freedom of the individual is limited. However, the trend in the long term is positive, with a development towards a more open society. Considerable progress has been achieved, for example, through the publishing of laws, decisions and statistics.

Closely connected with poverty reduction is the promotion of sustainable development. Loss of biodiversity has negative effects for the whole of society. There is a clear awareness in Vietnam today of the need to strengthen capacity in this field. However, actual resource allocation is low and the political will to take difficult pro-environmental decisions when economic and environmental interests clash, is still lacking.

Vietnam's own poverty reduction strategy, "The Comprehensive Poverty Reduction and Growth Strategy" (CPRGS) places strong emphasis on economic growth as a primary vehicle for poverty reduction. A fundamental change in policy in recent years has been Vietnam's commitment to international economic integration and the full acknowledgement of the role of the domestic private sector.

The inflow of Official Development Assistance (ODA) has increased dramatically in the last few years and today Vietnam is the world's second largest recipient of such aid. The number of donor agencies in the country has increased considerably which means there is a strong need for harmonisation among donors.

Analysis of the current strategy period reveals mainly positive results. The majority of projects and programmes have contributed to strengthened institutional competence and capacity as well as knowledge of how to manage continued reform.

Within the framework of the overall goal for Sweden's development cooperation with Vietnam, which is to create the preconditions for improved living conditions for poor people, cooperation during the coming strategy period will focus on (1) promoting Vietnam's capacity to reduce poverty on a long-term and environmentally sustainable basis, and (2) promoting openness and a development towards democracy and increased respect for human rights. Furthermore, the CPRGS must play an integral role in this cooperation.

Sweden has a long history of development cooperation with Vietnam, in the course of which close relations and mutual confidence have been established. This confidence should be utilised through an increased focus on dialogue concerning the freedoms and rights of the individual. Support will also go to strengthening capacity at the national and local levels through support to public administration and legal reform as well as to public financial management.

Another central issue is gender equality. In spite of some progress, women's access to social services is inferior to men's as are also their opportunities to influence public decisions. An issue of importance is women's equal right to own land. HIV/AIDS is yet another issue which must be mainstreamed into all efforts. ICT must be integrated into all areas where its benefits are apparent.

Sweden is no longer one of Vietnam's biggest donors which implies that cooperation should focus on areas in which Sweden has comparative advantages. Sweden also intends to become more involved in co-financing with other donors in future, for example through *Multi-Donor Trust Funds*.

The volume of Swedish development assistance to Vietnam is planned to remain at today's relative level during the strategy period. Total Swedish support to Vietnam during the three-year period (2004–2006) is estimated to amount to approximately SEK 900 million, excluding possible budget support, credits, humanitarian contributions and support to Swedish NGOs. However, the volume and composition will depend on future developments.

2 Conclusions from the country analysis

2.1 Poverty

In recent years Vietnam has been successful in reducing poverty in terms of lack of material resources. The incidence of poverty, based on the international poverty line, was reduced from 58 per cent in 1990 to 37 per cent in 1998 and estimates suggest a reduction to 29 per cent in 2002. As regards improvements for the poorest segments of the population, Vietnam has seen a reduction in food poverty since the early 1990s. General indicators of human development, including literacy rate, rate of enrolment in education and life expectancy are much higher than in countries with a similar income level. However, in the last decade, Vietnam has experienced growing inequalities, particularly between rural and urban populations, between ethnic minorities and the majority *kinh*, between poor and wealthy regions and provinces, and within the growing cities.

Progress in reducing poverty in terms of lack of power, opportunity and security has been more mixed. Steps have been taken to increase participation at the local level but there are still shortcomings in protecting the rights that are crucial for people's ability to avoid or get away from poverty. Opportunities to exercise influence and power through a multi-party system do not exist and freedom of speech is limited. Vietnam performs well under many indicators of gender equality, e.g. education and health, but conditions as regards power and opportunities are not equal. Women still have poorer access to health and medical services and other public services. Women also exercise much less influence on public decisions.

Vietnam has been able to combine high economic growth with substantially reduced poverty for more than a decade. The growth process has been pro-poor. But this does not necessarily mean it will continue to be so. The emphasis is on modernisation and industrialisation, large-scale production, exports, heavy industry and infrastructure. Vietnam's development strategy (which is supported by donors) is primarily based on the assumption that high growth in the modern sectors and in the growth zones will trickle down to poor areas and people.

This is not sufficient to achieve a pro-poor and sustainable growth. Greater attention must be paid to long-term and sustainable management and use of Vietnam's natural resources. This is particularly crucial for the immediate livelihoods of poor people. The structure of production must become more diversified and more sustainable in order to reduce vulnerability in the face of natural disasters and fluctuating world market prices. It is essential to create employment and promote small and medium-sized enterprises. The different opportunities for men and women and their respective problems must be addressed.

Government expenditure on education and training and on health services has increased in recent years. Spending on both health and education has a pro-poor bias and cash transfers to the poorest provinces also perform a re-distributive role. However, the general level of expenditure, particularly on health, continues to be low and concerns must

be raised about the increased reliance on user fees and people's own contributions, since it primarily means the poor lose out. The aim must be to establish a comprehensive social insurance system.

The HIV/AIDS epidemic in Vietnam is in a transition phase between a concentrated and generalised spread of the virus in the population. In some areas, such as Ho Chi Minh City, the HIV infection rate among pregnant women is already over 1%. For specific target groups such as prostitutes and injecting drug users, the prevalence is much higher. The first national HIV/AIDS programme was introduced in 1990 and has subsequently been re-structured several times. Many donors are already active in the HIV/AIDS area. Awareness is increasing but the challenge remains to break the connection often made between HIV/AIDS and what is commonly perceived as "social evils". The method now used for dealing with the rapid spread of the virus among groups at risk, involving coercive measures, is questionable. Human trafficking is a related issue that aggravates the spread of HIV.

The early and rapid progress in poverty reduction in Vietnam is probably over now. Great efforts are required if Vietnam is to fulfil its objective of substantially reducing poverty in the future, even if economic growth remains high. The remaining poor in the country are much more difficult to reach with general growth policies since they tend to be isolated in several respects, geographically, ethnically, linguistically, socially and in terms of access to information.

2.2 Economic development

Since the early 1990s, Vietnam's economic growth has been among the highest in the world. In the late 1990s it was driven by growth in exports. In the last two years, domestic demand and private sector investment in particular have been the main driving force behind GDP growth. The industrial and construction sectors contributed most and the domestic private sector has seen the fastest growth. The situation regarding economic reforms today is very different from what it was in 1998 when the last country strategy was formulated. At that time, the pace of reform had stagnated and the country analysis expressed concern about the direction of future policy. In 2003 there is no reason for such concern. The economic reform process has been stable for the last three years and is likely to remain so during the coming country strategy period.

The most fundamental policy change in the last five years has been the decisive commitment to integrating the country into the global economy and acknowledgement of the role of the domestic private sector. However, this process has just begun and it will involve adjustments that may give rise to increased internal conflicts over the direction of policies. The reform of state-owned enterprises (SOEs) is still an issue of considerable concern and debate. The financial sector and the many losing state enterprises are in need of far-reaching reform. A lack of strong reforms in this area may hamper both private sector led growth and public sector investment in, *inter alia*, social sectors.

The development of Information and Communication Technology (ICT) is given very high priority but it is mainly treated as a sector in itself and not as an enabler of other sectors. There have been no systematic and sustained attempts to use ICT as an integral part of the development process. Vietnam scores very low in international comparisons of networked readiness.

In the short term, economic policy is stable and sustainable. Long-term forecasts are optimistic (annual GDP growth of over seven per cent up to 2010). Since rapid export growth is an assumption underlying these targets, it follows that the official scenario is very vulnerable to external developments. The capacity of the export sector will influence the prospects for economic growth. The structural problems – primarily state-owned enterprises (SOEs) and the financial sector, leading to inefficiency and low competitiveness –

may undermine long-term growth. The longer Vietnam remains outside the WTO, the greater the pressures and disadvantages it will face as WTO members enjoy commensurate benefits. If Vietnam has not become a member of the WTO by 2005, its ability to compete with its export rivals aiming at similar markets with similar products, especially China, will be seriously reduced.

2.3 The Comprehensive Poverty Reduction and Growth Strategy (CPRGS)

The Government of Vietnam attaches great importance to poverty reduction in its Ten-Year Socio-Economic Strategy, 2001-2010, and in several national programmes. The Comprehensive Poverty Reduction and Growth Strategy (CPRGS) reflects strong ownership and Vietnam's determination to tailor the strategy to its specific needs, approach and priorities. The strategy includes heavy emphasis on economic growth as a primary vehicle for poverty reduction.

The international community has welcomed the development of the CPRGS (albeit taking note of the lack of a human rights and democracy perspective in the document). However, the approval of the CPRGS is only the start of an ongoing process to achieve sustainable poverty reduction. The challenge lies in implementing the policy and in achieving a tangible, positive outcome for the poor.

The CPRGS is still largely unknown at the local level. Implementation will require continuing work to translate it into local government plans and priorities adapted to Vietnam's varying regional realities and to ensure that sufficient capacity and resources are available at the local level. Communication between the centre and provinces and between ministries is an important aspect. Differences in local capacity mean that implementation of the CPRGS is likely to be uneven with poorer provinces less able to deliver and manage reforms despite the more urgent need in these regions.

There is a risk of failure to align government (and donor) efforts with the CPRGS. Resources and policies may not be adjusted to reflect pro-poor priorities and poorly coordinated efforts could reduce growth and poverty reduction results of spending. The status of the CPRGS as a steering and planning instrument over or on a par with Vietnam's other development policies is unclear and needs to be strengthened.

2.4 Sustainable development, natural resources and environment

Sustainable development in Vietnam is closely linked to the goal of combating poverty. However, a holistic view – balancing economic, social and environmental aspects – as set out in the Agenda 21 strategy, is not clearly reflected, neither in the socio-economic development strategy nor in the CPRGS. Furthermore, the institutional and organisational framework in Vietnam is not conducive to addressing a broader “sustainable development” agenda.

Important issues and trends relating more specifically to natural resources and the environment include: declining water quality and quantity, marine and coastal degradation, declining forest quality, increasing air and water pollution, loss of domesticated and wild biodiversity, inadequate waste management, soil degradation, and greater exposure to natural disasters. The loss of biodiversity includes the loss of local seed varieties, the loss of wild biodiversity which is an important source of food and income for poorer groups, and the loss of essential ecosystems such as natural forests and wetlands which provide crucial ecosystem services such as water purification and water filtration.

There is a clear awareness in Vietnam of the need to build capacity for sustainable natural resource management, pollution prevention and control, and prevention and mitigation of natural disasters. However, actual resource allocation to environmental management is still low and real political will to take difficult pro-environmental decisions when economic and environmental interests clash, is still lacking.

2.5 Democracy and human rights

The political single-party system remains intact. The trend in the field of human rights has been mixed. Progress made in economic and social areas is considerable while progress in other areas has been inadequate. Although a signatory party to the UN Convention on Civil and Political Rights, the situation regarding freedom of opinion, assembly and association and the right to protection against abuse, is still not satisfactory. Incidences have been reported of individuals being harassed, put in detention or sentenced to prison for advocating democracy and human rights.

However, the long-term trend is positive and is heading towards a higher degree of openness in society. Human rights are receiving greater acceptance, both in court procedures and in the making and implementation of laws. The present policy is in favour of increased transparency and essential progress has been made by publicising laws, decisions, statistics, etc. The accountability of public officials and institutions is given more emphasis. But there is no room for an open debate since calling the Communist Party in question is not accepted. To give an example, there is no debate on social and political alternatives at the universities or within the cultural sphere or the media.

2.6 The role of aid

The inflow of ODA has increased dramatically in the last ten years. In relation to total budget expenditures, ODA disbursements represent over 20%. Overall, Vietnam is the second largest recipient of ODA (after China). The main donors include Japan, the World Bank and the Asian Development Bank, accounting for 60% of total ODA disbursements.

Since 1993, Vietnam has seen a rapidly growing number of donor agencies become more active, expanding their programmes in the country. This has heavily taxed the capacity of the government, especially as the authorities have had to become acquainted with a variety of donor procedures and conditions. Donor coordination, harmonisation of procedures and use of programme support is still in its infancy. Today, there are some 25 sectoral coordination groups, chiefly led by the relevant ministry. Sweden plays an active part in about half of these and maintains coverage of the others. Furthermore, Sweden plays an active role in the informal working group for like-minded bilateral donors which has been established and attained a strengthened role in recent years. In the last few years, an annual donor meeting (Consultative Group), led by the government, has been arranged regularly in Hanoi.

It is difficult to unequivocally say what role development cooperation has played in Vietnam's development over the past decades. In the 1980s the country was dependent on support from the Eastern bloc states. When the Soviet Union dissolved, that support was reduced to marginal levels. After the American embargo had been raised in 1994, the inflow of development assistance increased strongly to somewhere in the region of USD 18 per capita. Aid has been given the role of supporting domestic resources and reforms.

In an optimistic scenario, Vietnam is expected to have implemented the second generation of reforms by 2008. Vietnam will be a member of the WTO. In this situation the need for development cooperation will lessen, at least in its present form. There will be a need for transfer of new strategic ideas, approaches and policy. If there is a need for financial support, this should be in the form of budget support or other programme support, provided that the conditions for this form of support are fulfilled. It may be added that even with a high rate of growth, Vietnam will be a low-income country eligible for concessional support.

3 Conclusions from the performance analysis

The goals of development cooperation with Vietnam for the period 1999–2003 were to:

- promote Vietnam's capacity to increase prosperity and reduce poverty on a long-term and environmentally sustainable basis
- promote openness and a development towards democracy and increased respect for human rights.

Sweden's development cooperation with Vietnam 1999–2003 has been pursued in the following areas (see table 1).

Table 1: Development cooperation with Vietnam, 1999–2003 (disbursements in thousands of SEK)

Area	1999	2000	2001	2002	2003
Infrastructure, development of the private sector	61 365	115 414	119 406	46 750	54 451
Democratic and human rights	95 195	84 455	83 279	71 934	73 350
Social sectors	46 299	31 664	66 034	30 047	25 573
Natural resources and environment	31 497	28 892	31 007	32 820	37 064
Research cooperation	11 044	16 240	15 467	13 405	11 110
Concessional credits		48 000	31 000		5 000
Other programmes *	21 816	17874	14 618	41 736	34 568
Total	267 215	342 539	360 811	236 692	241 116

N.B.: 1999–2002 refers to actual disbursements. The data for 2003 refers to planned disbursements

* "Other programmes" comprise humanitarian assistance, NGOs, economic reforms, etc.

During the current country strategy period a number of external factors have influenced its implementation. Examples of these include the very rapid economic growth of the country, the slow speed of political reform and the increased number of donors on the arena. Today, Vietnam has more donors to handle and an increased inflow of resources but continues to have limited administrative capacity in spite of harmonisation efforts. Higher demands have been put on dialogue issues, particularly in areas of priority for Sweden. The increased number of donors has made it possible to realise synergies but it has also demanded enhanced coordination capacity from both donors and the Vietnamese government.

Generally, the level of achievement of the objectives of the programmes financed by Sweden has been high. It varies between sectors, and the preconditions for attaining the objectives differ. Regarding the three reform areas (economy, public administration and the legal system), results have largely been clear: the building of structures and foundations for the future, recognition of professionalism and results orientation, awareness of problems and how to tackle continued reform. Most projects and programmes have contributed in a positive way to strengthened institutional competence and capacity, for example support for the reform of public administration, energy, health care and land administration. Other general effects include the establishment of systems, and contributing to system change in specific areas as well as the introduction of new techniques and methods of work.

A decision was taken to appropriate SEK 20 million for budget support to Vietnam for 2001. The decision deviated from the guidelines for this type of support as Vietnam did not fulfil the specified requirements. It was disbursed as co-financing of the World Bank's Poverty Reduction Support Credit (PRSC1). This credit supported reforms in five areas: trade liberalisation, reform of state-owned enterprises, strengthening of the bank sector, enhancement of the private sector climate and improved management of public expenditure. Considerable progress was made in all these areas, although the reform of state-owned en-

terprises and the bank sector proceeded at a slower pace than anticipated. Taken as a whole, the results of PRCS1 are considered to be satisfactory. Budget support via PRSC1 aimed at supporting the government's poverty strategy (CPRGS). The strength of the policy is its broad approach to poverty and the consultative process that has guided efforts. However, the policy has its defects, one of the most essential being that it gives no guidance for allocation of government resources. In addition, human rights are not mentioned. The focus is on the needs of poor people rather than their rights.

The level of ambition of the programmes has been high. To be successful, a policy dialogue is needed in several areas, some of them considered very sensitive on the Vietnamese side. This will demand greater capacity than is currently available at the Embassy and at Sida. The level of ambition for development cooperation with Vietnam therefore needs to be reformulated and working methods adapted so as to retain Sweden's comparative advantages in Vietnam while still utilising opportunities to work with others to achieve the objectives of Sweden's support.

The present programme is dominated by a number of rather complex bilateral programmes in sensitive areas with high ambitions of dialogue. This form of cooperation has often been based on the assumption of a "special relationship" between Sweden and Vietnam. However, if capacity is not increased the conclusion must be that the level of ambition has to be lowered in some of the difficult reform areas. The dialogue and project portfolio has been assessed in the performance analysis.

4 Vietnam's priorities

Vietnam has presented its *priorities* for development cooperation with Sweden as follows:

- To support Vietnam in its implementation of the CPRGS by means of projects and programmes focusing on comprehensive solutions to the problems in poor areas.
- To support pro-poor growth and effectively manage financial resources. To ensure good and sustainable use of natural assets.
- To promote equal development opportunities by cooperation in the health care and rural energy sectors.
- To promote private sector development and trade.
- To enhance the accountability to citizens of administrations at various levels by means of projects focusing on public administration reform, legal reforms, strengthening the inspection and monitoring role of the National Assembly, management of public assets and decentralisation of financial management.
- Research cooperation focusing on the health sector, biotechnology, rural development, environmental issues and ICT .
- Culture-media cooperation.

Vietnam underscores the following *cross-cutting* issues:

- Public administration (decentralisation), grassroots democracy, accountability at all levels.
- Gender equality, equality, the rights of the child, rights of the poor, especially the most vulnerable groups in society.
- Environmental and natural resources sustainability.

Further, Vietnam mentions the following *measures*:

- To promote an active role for the Vietnamese side in project formulation, management and implementation.
- To strengthen the linkages between programmes/projects.

In addition, Vietnam has presented the following *orientations* for development cooperation with Sweden:

- To continue to support poverty alleviation, to intensively assist with investment in infrastructure and development of human resources. Priority should be given to the active role of Vietnam because this will ensure efficiency and enhanced results.
- To maintain a balance between the promotion of capacity and the financing of necessary investments to support human resources development.
- To further assist local and grassroots levels and decentralise at a faster pace in the management and implementation of projects.
- To facilitate application of ICT and biotechnology with a view to supporting administrative reform and alleviating poverty.
- To act as co-financing donor in projects that need to mobilise major financial resources in order to reduce the management and administrative burden. However, this should be done with donors who share the same development cooperation ideology.

5 Development cooperation goals

Within the framework of the overall goal for Swedish development cooperation, which is to create the preconditions for poor people to improve their living conditions, development cooperation with Vietnam shall focus on:

- promoting Vietnam's ability to reduce poverty on a long-term and environmentally sustainable basis.
- promoting openness and a development towards democracy and increased respect for human rights.

Sub-goals are given in Chapter 7 below.

6 General considerations

6.1 Coherence with Vietnam's development strategy

The overall framework for Sweden's development cooperation with Vietnam 2004–2008 will be the Comprehensive Poverty Reduction and Growth Strategy (CPRGS) and a rights-based perspective. The aim of cooperation is not only to support existing government strategies and programmes but also to assist Vietnam in making progress in the realisation of human rights, democracy and good governance.

Strategic orientation of cooperation

Implementation of reforms of the public administration based on the PAR Master Program 2001–2010 is a necessary precondition for implementation of the CPRGS. Support to PAR should be an integral part of most Swedish funded development cooperation programmes.

Sweden will contribute direct support to the implementation of the CPRGS, within the poverty alleviation programme *Chia Se*, in three provinces and at the national level.

Sweden will also support capacity building at the national and local levels through support to reforms of public administration and the legal system and to public financial management. In addition, the programmes covering land administration, environment, health, energy, research and support to private sector development will be integrated into the CPRGS framework.

Due to the risk that the government (and donors) may not allocate resources to CPRGS, Sweden will assess resource allocation at the national and local levels and among donors. High priority will be given to a dialogue on how to make this more pro-poor. Special attention will be paid to gender-related allocation of resources.

There is a further risk that the growth process is based on unsustainable use of natural resources. This is a key issue for Swedish development cooperation in Vietnam and it should be integrated into all development programmes. Sweden should make use of its comparative advantages in this area to increase awareness of sustainable use of natural resources and increased investment in environmental protection. Deficiencies in land use risk aggravating the situation of the poor in Vietnam. Sweden should therefore follow developments closely, regarding sustainability, rule of law and in relation to the reform of public administration. Equal rights to land for both men and women is a central issue. The community's vulnerability and resilience in the face of natural disasters are important factors. The negative impact of natural disasters on poverty reduction must be taken into account.

Decision-making in Vietnam is still largely of a top-down nature. Sweden will contribute to strengthening the implementation of bottom-up decision-making processes and participation.

Gender equality is a *cross-cutting* issue and it will be mainstreamed into all sectors and instruments of Swedish development cooperation. The HIV/AIDS problem shall be addressed and integrated wherever relevant. Information and Communication Technology (ICT) will be considered and integrated into all areas of cooperation where there are evident benefits.

6.2 Forms of development cooperation

In the future Swedish development cooperation will increasingly be directly related to provinces, districts and communes. Capacity-building and dialogue often prove more effective at the local level. But it is important to maintain links to the central level. It should also be born in mind that development cooperation at the local level may demand even more capacity from Sida, the Embassy, consultants and project staff.

Sweden is no longer a major donor to Vietnam. However, Sweden has some comparative advantages, such as Vietnam's preparedness to cooperate in more sensitive and crucial areas of reform relating to democratisation, corruption, and human rights aspects of judicial reform. These comparative advantages should be used when choosing areas for assistance and dialogue.

Dialogue issues

A point of departure for dialogue and intervention should be use of the Vietnamese Decree on Grassroots Democracy for people's participation in public affairs. Approaches of this nature will be further strengthened, particularly in future poverty alleviation programmes.

Sweden will promote the individual rights perspective in its dialogue generally as well as in its development cooperation with Vietnam.

In the policy dialogue, Sweden should give priority to the issues of human rights, access to land, HIV/AIDS, right to the best possible health service and a pro-poor and sustainable resource allocation.

Strategic considerations regarding the forms of cooperation

The current cooperation programme needs to be focused and also needs to take into consideration other donors and their priorities in Vietnam. Support must be concentrated in terms of cooperation partners and areas. Sweden should avoid bilateral involvement in areas where it has a weak national resource base. Bilateral cooperation should focus on areas with high relevance in relation to the objectives and where Sweden has competence. This should also be taken into consideration in important and sensitive areas where Vietnam is open for and specially requests Swedish bilateral assistance.

Sweden should plan for a continuation of its active involvement in certain groups or networks of Vietnamese actors and donors since most of the coordinated dialogue takes place through these. However, priority must be given to a few groups according to relevance and the embassy's capacity. Sweden should work actively for increased harmonisation of donor procedures and support capacity building of Vietnamese partners in aid management, coordination and implementation. The aim should be to strengthen Vietnam's role in the coordination and harmonisation of assistance and to establish the preconditions for increased use of programme forms of cooperation.

Greater donor coordination will be sought with both bilateral and multilateral donors. In future Sweden will become more involved in co-financing with other donors. Another form of support is via Multi-Donor Trust Funds. Sweden's ambition should be to participate in and aim for more joint funding and also to channel funds through these mechanisms wherever possible, provided that these mechanisms assume sizeable contributions from Sweden. Co-financing with limited contributions should only be considered in very special cases. In the long term, joint funding mechanisms will be a more efficient way for Vietnam to absorb development assistance. Sweden must therefore also promote and be prepared to participate in Sector Programme Support in relevant areas when such programmes have been established.

In cooperation with other donors, Sweden will plan for budget support to the CPRGS when the necessary conditions under the Swedish guidelines for this area are fulfilled. This support should be closely linked to capacity building in public administration and public finance management.

Swedish development assistance to Vietnam will mainly be given as grants. However, bearing in mind Vietnam's positive economic development, an increasing proportion may be provided in the form of credits. Where appropriate, guarantees may also be considered. Credits may be used as a complement to grants financing and may also be suitable when phasing out grant-financed development cooperation. Concessional credits and guarantees should be open to sectors and geographical areas from time to time deemed feasible.

Mutual long-term relations between Vietnam and Sweden should be encouraged in development cooperation and in other areas, e.g. trade, industry, services, culture and research. Development cooperation has contributed to building up goodwill in Vietnam which has provided a good foundation for the promotion of other relations. Swedish businesses are positively received and have a good reputation. The Swedish business sector is often competitive and wins tenders in development cooperation which should lay the foundation for continued commercial relations. Consultation and exchange of experience should take place between development cooperation and Swedish export and import pro-

motion so that different experiences, competencies and resources are put to use and can interwork.

It is difficult to run comprehensive programmes for the development of civil society in Vietnam due to the lack of independent organisations. However, Sweden can help Swedish and international NGOs to strengthen the development of civil society by supporting their local cooperation partners as potential partners to the authorities in order to create a better understanding of the existence of local organisations.

6.3 Monitoring the strategy

The monitoring of the Comprehensive Poverty Reduction Growth Strategy (CPRGS) will involve measurement of a number of indicators, including indicators related to good governance, democratisation and rights of the poor. These indicators are based on the Millennium Development Goals (MDGs) which have been developed and adapted to become special development goals for Vietnam (Vietnam Development Goals). Monitoring of the CPRGS will also be based on the policy matrix drawn up for the World Bank's Poverty Reduction Support Credit (PRSC) in agreement with the government.

However, some of the main objectives of Swedish development cooperation policies in the area of democratic governance will not be fully addressed in this overall monitoring, in particular progress towards the international human rights conventions. Sweden/Sida therefore need to carry out parallel assessments in addition to the overall monitoring of the CPRGS.

Continuous follow-up should be included in the embassy's regular reports. A special assessment should be undertaken as part of the mid-term review of the country strategy to be carried out in 2006. Estimation of the effects of development cooperation on democracy and the human rights situation should be an essential part of the assessment. When the indicators are drawn up, generally accepted principles/standards based on the international human rights conventions should be used.

Future scenarios

Should an assessment as described above indicate that clear progress has been made in the democracy and human rights situation, Sweden should explore the possibility of increasing the volume of its cooperation. In the area of democracy and human rights, support to institutions such as the police, the prosecutor's office, and prisons could be tried. Extended media cooperation may be considered. The number of opportunities for dialogue and action will probably increase.

Should it prove that the democracy and human rights situation has deteriorated, Sweden should reconsider the size and content of its development cooperation with Vietnam. A situation of this nature should be followed by high-level consultations between Sweden and Vietnam, in which the democracy and human rights situation be specifically discussed.

In a status quo situation, the mid-term review should analyse the reasons for lack of progress in the area and the political will to improve the situation regarding democracy and human rights. A high-level dialogue should in this case also follow the review. A review of the volume of development cooperation will be undertaken at the same time. In this case cooperation should move away from direct support to some institutions and concentrate on providing the prerequisites for change and support to democratic forces. Multilateral channels should be used to a greater extent and bilateral support reduced accordingly.

7 Sub-goals and areas of cooperation

The current development cooperation programme is fairly dispersed and still mainly focuses on a project-based and sector-specific approach. In the period 2004–2008 the pro-

gramme will be more focused, more programme-oriented and related to objectives and cross-cutting issues rather than traditional sectors. There should be more links between different programmes. This applies to all the areas of future cooperation. One way to achieve this is to focus Swedish support to a greater extent on certain geographic areas and provinces, including urban, rural and coastal populations where relevant, as target groups.

Furthermore, development cooperation should be guided by sub-goals. In the presentation below, areas intended for cooperation have been linked to their primary sub-goals. However, projects are often multidimensional with effects related to several of the goals presented.

Sweden will explore the possibility of providing budget support as general support to the CPRSG and the major reform areas, given that the preconditions for this form of support are fulfilled. Budget support is linked to all the sub-goals. Sweden will also continue co-financing the household surveys carried out by the General Statistics Office, as part of monitoring the CPRSG.

Sub-goals guiding Swedish development cooperation with Vietnam 2004–2008:

- To promote an equitable, pro-poor and sustainable use of natural resources based on local initiatives
- To promote a professional, transparent, accountable, service-oriented and non-discriminatory public administration
- To contribute to increased respect for human rights and democratic access for poor people, with a special focus on development of the rule of law that ensures predictability, equality, non-discrimination and protection against abuse.
- To work to promote the right to adequate health care for all people, including improved access to health services for the poor.
- To work to promote pro-poor growth based on a dynamic private sector and open trade relations.

Sub-goal 1:

To promote an equitable, pro-poor and sustainable use of natural resources based on local initiatives

A major proportion of Swedish support to the implementation of the Comprehensive Poverty Reduction Growth Strategy will be in decentralised poverty alleviation, mainly through the *Chia Se* Poverty Alleviation Programme. This focuses on multi-sectoral investments, based on mechanisms for decentralised planning and local development funding. The programme will cover three provinces and also include a national component. Responsibility for implementation of the provincial projects will be delegated to the local administration.

Other projects of major relevance to poverty alleviation in disaster prone coastal areas and remote mountain regions could also be considered. These projects should be co-financed through other international agencies, support partnerships and sector programme support initiatives. Locally-driven and participatory sustainable management of natural resources (land, forests, coastal zone management, including fisheries, etc.) will be a further important aspect of several programmes, e.g. *Chia Se*, the programme implemented by IFAD with Swedish funding in Tuyen Quang, and research cooperation.

Based on Sweden's comparative advantages, cooperation to realise sustainable development may also include support to local environmental initiatives and local institutions through Sida's Environmental Fund. Sweden will be open for cooperation with other donors in support of sustainable development.

In order to assist Vietnam in achieving sustainable development, the planned cooperation programmes within land administration and environmental management should be integrated and aim at strengthening institutional capacity in these areas at both central and provincial administration levels. The promotion of secure and transparent land tenure and distribution systems with de facto protection of legal rights and secure access to land, including provisions for legally accepted community-based tenure regimes, is of prime importance for alleviating poverty in marginalised groups and areas. The land administration programme will continue to support land allocation and the government's ability to address complex land and socio-economic issues. The environmental management programme should concentrate on pollution control and prevention. These programmes should focus on a limited number of provinces and be led by the new Ministry of Natural Resources and Environment.

Sweden has long experience in the energy sector. In line with the overall objectives for the current country strategy, in consultation with the government of Vietnam it has been decided to focus in the coming five-year period on rural energy support. This will afford an opportunity for synergies with the poverty alleviation programmes. It also provides an opportunity for dialogue with the Ministry of Industry, Electricity of Vietnam and other relevant actors in the field of rural energy supply.

Sub-goal 2:

To promote a professional, transparent, accountable, service-oriented and non-discriminatory public administration

There is at present substantial donor support for economic reforms, both financial support and as policy dialogue, and an overall consensus on direction. In general, Sweden no longer has any clear comparative advantages in this area. Future support should deal less with the creation of new public finance systems. Instead, efforts should be made to adapt the existing ones to international standards of transparency, and to make sure that they are implemented effectively at all levels of government. With the large number of donors involved, it is possible to co-finance the government's own initiatives and along with like-minded bilateral donors ensure that blueprint solutions are avoided.

Small bilateral programmes, such as, for example, support to economic policy research and central bank cooperation, may be considered.

It is likely that the policy dialogue on public administration reform in the future will mainly take place in partnerships and through joint donor interventions. Sweden should seize the available opportunities to support the implementation of the Programme for Administrative Reform through, and in consort with, other donors. Bilateral assistance should be closely coordinated with other PAR actors. Sweden should concentrate on introducing a rights perspective and gender equality in its discussion with the government and other donors. PAR considerations will be included in all areas of Swedish assistance to Vietnam.

Sweden will further emphasise gender equality in cooperation in the two reform areas, legal reform and PAR. In legal reform, the focus will be on equal access to the legal system for women and men and, in the PAR, the focus will be on the different consequences of the reform for women and men, e.g. in the context of downsizing and personnel management. The overall objective is to focus legal reform more on women's rights in the family and in society and to make the civil service more aware of the different needs of women and men.

An example of Sweden's comparative advantage is the anti-corruption project that is to be implemented during the strategy period. The initiative was taken by the Vietnamese government. Sweden is the only cooperation partner.

Sub-goal 3:

To contribute to increased respect for human rights and democratic access for poor people, with a special focus on development of the rule of law that ensures predictability, equality, non-discrimination and protection against abuse.

Respect for the rule of law, including independent and non-corrupt judges and police, functioning courts and law enforcement institutions, is not only crucial for protection of human rights but also necessary in order to attract domestic and foreign investment and thus further possibilities for pro-poor growth. Sweden should concentrate on this area during the coming country strategy period.

The importance of protecting rights is justification for continuing to give priority to the legal sector in Swedish support. However, based on a comparative advantage, support can focus more on areas in which there are fewer donors present, for example advocating the human rights perspective in the legal system, and in particular the rights of poor women and men and groups with special needs, e.g. children. Furthermore, more of the support to legal reform should be directed to the grassroots level and integrated into the support to public administration reform and poverty alleviation programmes.

Regarding direct support to promotion of democracy and human rights, opportunities to maintain a dialogue must be utilised. The cooperation between Vietnam's National Assembly and the Swedish Riksdag provides a major opportunity for this. Grassroots democracy will be encouraged and used as a tool for participation and democratisation in many areas of Swedish cooperation. As a consequence of difficulties in the past, new forms of cooperation and parallel cooperation partners must be identified. Sweden will initiate a discussion with Vietnam on these matters. Sweden is still one of the few countries with which Vietnam is prepared to carry on such a dialogue. The gender fund will remain the main entry point to civil society organisations.

In the field of cultural cooperation, cultural exchanges promote interchange of ideas, greatly to the two countries' mutual benefit, and should be given continued support. In areas where Sweden finances regional cooperation, bilateral cooperation should be avoided. The Swedish-Vietnamese Fund for Promotion of Culture is a well established institution in Vietnamese cultural life. It shall remain a way of stimulating cultural diversity by supporting new ideas and protecting cultural heritage.

Sweden is one of very few countries invited to provide support to the media sector. Future Swedish support should be linked to and coordinated with other relevant Swedish programmes such as support to the development of grassroots democracy, support to the National Assembly and to the anti-corruption study.

Sub-goal 4:

To work to promote the right to adequate health care for all people, including improved access to health services for the poor

Sweden's support to the health sector has contributed substantially to focusing policy and strategies on the "medical poverty trap" and to policy advice in connection with the recent adoption of the decision to establish a health insurance system for the poor. The agreement between Sweden and Vietnam currently in force covers several strategically important health issues to be implemented in the next few years. The agreement largely covers the forthcoming strategy period. Towards the end of the period, an assessment will be made of the feasibility of continued cooperation. Progress in the introduction of sector programme support will be followed up with the aim of participating as a partner within such a framework.

Co-financing with the Asian Development Bank in the context of support to a health insurance system for the poor is being considered. No other new projects are planned for the new strategy period.

Sub-goal 5:

To work to promote pro-poor growth based on a dynamic private sector and open trade relations

Private sector development and trade are key areas in the CPRGS and the role of the private sector should be taken into consideration in all development cooperation programmes in Vietnam. The links are very obvious, for example in legal reform programmes, environmental management and land administration, and poverty alleviation. It will continue to be important to promote the Swedish resource bases and thereby spread knowledge in the country. There should be consultation and cooperation between development cooperation and Swedish government export and import promotion so that different experiences, competence and resources are utilised and can interwork.

Many donors are involved in the development of the private sector. Swedish development assistance will largely continue in its present size and diversity. Strategic areas where duplication with others can be avoided will be given priority. The current support to small entrepreneurs could be directed in future more to the general business climate and job creation in selected provinces. Support to trade development should focus on export promotion efforts.

Support should be given to capacity building in the trade policy area, particularly to support Vietnam's capacity in the WTO process.

Other areas of cooperation

The aim of research cooperation is to strengthen Vietnam's capacity for research, research policy and research management. Vietnam's research capacity is now relatively strong compared with many of Sida's major cooperation partners. It is envisaged that the long-term capacity building research programme will enter into its final phase during this country strategy period, with some phase-out activities continuing into the next one.

In the area of research policy, Sida will seek to contribute to opening up the Vietnamese system for research priorities based on qualified academic assessment. Sida will be open to collaboration with other donors in this matter.

Research cooperation in the next agreement period will consist of three sub-programmes (health, biotechnology, rural development/environment). Strengthening of research capacity in the above areas will be supported, especially at universities. The focus should be on doctors degrees and post-doctoral training. Furthermore, there will be a close link between research cooperation and other development programmes, particularly in the health sector and Sida's Poverty Alleviation Programme/ *Chia Se*.

8 Financial planning

It is expected that the volume of Swedish development assistance to Vietnam will remain at the present relative level during the strategy period. In a base case scenario, with continued reform and development according to set targets, the composition should gradually change from traditional projects into sector programmes, credits and possibly budget support, provided that the preconditions for this form of support are fulfilled. At the end of the period more than half the programme is expected to be of the latter kind. Total Swedish support to Vietnam during the three-year period (2004–2006) is estimated to amount to about SEK 900 million, excluding possible budget support, credits, humanitarian efforts and sup-

port to Swedish NGOs. In the event of a radically changed situation, both the volume and the composition will have to be reconsidered.

9 Administrative resources

It is basically assumed that total administrative resources at the embassy and Sida together will be unchanged. There may be a redistribution of these resources between Sida and the embassy.



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