

**STRENGTHENING WORLD BANK GROUP
ENGAGEMENT ON GOVERNANCE AND ANTICORRUPTION
CONSULTATION FEEDBACK**



VIETNAM

(JANUARY 16, 2007)

Participants: World Bank Group Vietnam staff, Donors and government, Civil Society, Private Sector, Media

How did the process fit into ongoing country dialogue?

Many of the participants mentioned explicitly that the consultation was very timely. This is because there is currently in Vietnam a considerable degree of political will from both the Government and the Party to fight corruption. This has been demonstrated partly through the approval in November 2005 of the Law on Preventing and Combating Corruption as well as the approval of an Action Plan to implement the Law in February 2006. In addition, in the course of 2006, several institutions specialized in corruption have been created, namely a Central Anti-Corruption Steering Committee headed by the Prime Minister, an Anticorruption Bureau in the Government Inspectorate, and a Department of Public Prosecution of Corruption Crimes in the Supreme People's Procuracy.

The consultation is also timely in Vietnam in relation to the broader governance agenda. At the beginning of January this year, the Prime Minister stressed that the three main tasks for 2007 are economic growth, anticorruption and public administration reform. The Government wants to accelerate the Public Administration Reform and to do so it has drafted a plan with several priorities for 2006-2010 as well as targets to be addressed by 2020. The plan aims to create a public administration, which serves the citizens, national development and international integration. It prioritizes aspects such as the simplification of the lengthy administrative procedures, the professionalism of civil servants, the openness and transparency of the administration, and the participation of society in the state management and Public Administration Reform. This plan has been discussed in the 4th Party Plenum, which occurred concurrently with the consultations.

The consultation also takes place at a time when there are new ambitious and long-term Party strategies in the areas of legal development and judiciary reform, and at a time when the media is starting to play a more active role in the fight against corruption. Furthermore, the Press Law is to be amended to strengthen this role. The consultation has also come shortly after the accession of Vietnam to the WTO (formally in early January 2007). This accession increases the ability of Vietnam to attract foreign investment, but it also poses serious competitiveness challenges to domestic businesses. Maximizing this foreign investment potential and encouraging domestic businesses to increase their competitiveness need to be addressed, and it partly the intention to achieve this through governance reforms.

The effective fight against corruption, improved law enforcement and increased openness to listen to the voice of private sector associations are critical elements in this process.

As a result of the above, both the Government and donors in Vietnam welcomed the strategy and in particular the willingness of the Bank to work more on governance. All the consulted stakeholders, and especially the civil society and the private sector, appreciated the Bank's open and participatory process. This approach has been in line with the highly consultative process that the Bank in Vietnam adopted during the second half of 2006 for the drafting of the Vietnam Development Report 2007.

What were the key issues/themes¹ raised by participants?

As regards the top challenges in Vietnam, the key themes were the need to strengthen accountability and transparency, the need to increase the participation of actors such as the media, the private sector and civil society, the weak incentive framework for civil servants, the inconsistent and unclear legal framework, and the fact that corruption is a normal practice amongst civil servants.

As regards the promising areas of reform in Vietnam, the key themes were the development of a monitoring system with indicators, undertaking more diagnostics research to map the extent of corruption in the country and understand its causes better, and encouraging demand for good governance. Greater support to public elected bodies, increasing the integrity of civil servants through training and adequate salary levels, fostering a culture of "clean hands" among the population and private sector, investing in capacity building of civil society as well as the mass media, supporting the role and the voice of private sector associations, and the removal of all opportunities for corruption such as the ask-and-give mechanism were also emphasized.

The key themes on the global policy of the World Bank Group in the area of governance were: the Bank should not to abandon the poor in cases of weak governance, some risk needs to be taken to protect the poor; the Bank should not be a policeman in project management, the priority is to provide good technical and financial support to countries and especially to the poor; the Bank should not use very complex techniques to supervise projects, it should always apply common sense; the Department for Institutional Integrity should be using the wealth of information that they have to report on outcomes and to learn lessons; the Bank should do more physical inspections as opposed to just checking transactions; the Bank should move from ex-ante review of projects to ex-post review to focus on outcomes and not on inputs; the Bank should share experiences with donors and avoid duplications; and the Bank should emphasize the commitment to poverty reduction in the Strategy.

On the WB in Vietnam support to the governance agenda, the key themes were that the Bank should not only have a strong focus on public financial management, but also on other areas such as the support to participation, transparency, democratic structures and accountability, and that the Bank should start engaging with the media, private sector associations and institutions outside the executive.

¹ We understand "key" issues/themes, as those issues/themes that were raised by several participants and/or by more than one different stakeholder.

Respondent Type	Consultation Reply
Top governance challenges in Vietnam	
Government	<ul style="list-style-type: none"> ▪ Strengthen transparency and accountability. ▪ Strengthen the participation of media, civil society and private sector, taking into consideration their factual relations with the executive.
Donors	<ul style="list-style-type: none"> ▪ Strengthen accountability and transparency ▪ Strengthen the participation of media, civil society and private sector ▪ Weak incentives of civil servants
Civil Society	<ul style="list-style-type: none"> ▪ Strengthen participation of civil society and private sector e.g. in managing ODA and deciding PRSC funds allocation ▪ More freedom for the media ▪ Corruption is normal practice amongst civil servants ▪ Need to connect plans and budget at provincial level
Private sector	<ul style="list-style-type: none"> ▪ Poor disclosure of information to businesses at a time when businesses are in a very demanding environment. ▪ Strengthen the participation of media, private sector and civil society e.g. in supervising People’s Committees ▪ Private sector associations should have a stronger and independent voice, as they play a key role in the GAC agenda. This role includes: raising voices about complaints that they receive from their members, protect the rights of their members, promoting clean hands culture, rewarding anticorruption efforts, disseminating laws, involving the private sector in infrastructure (which would reduce corruption), etc. ▪ Weak incentives of civil servants ▪ Corruption is normal practice amongst civil servants ▪ Poor quality of policy formulation as a result of weakly qualified civil servants and low salaries ▪ Inconsistent and unclear legal framework, variation in the application of the law across localities and poor law dissemination. ▪ Poor coordination of ministries and agencies ▪ Lack of trust in court decisions, lack of independence of the court, low transparency of court decisions, and generally, weak enforcement of the law. ▪ Corruption varies significantly across agencies ▪ Corruption is a cultural problem, affecting also the private sector.

Respondent Type	Consultation Reply
	<ul style="list-style-type: none"> ▪ Corruption is increasing with the transition to a market economy ▪ Mechanisms to fight corruption are not strong enough ▪ Difficult administrative system to get access to capital in the rural areas
World Bank Vietnam staff	<ul style="list-style-type: none"> ▪ Weak incentives of civil servants ▪ Corruption is normal practice amongst civil servants
2. Promising areas of governance and anticorruption reform in Vietnam and potential obstacles	
Government	<ul style="list-style-type: none"> ▪ Develop monitoring system with indicators ▪ Creation of demand for the prevention of bad governance amongst civil society, private sector and media. ▪ Support public elected bodies
Donors	<ul style="list-style-type: none"> ▪ Develop monitoring system with indicators ▪ More research to understand corruption. It is important to start a strategy with country-specific diagnostic work which includes issues of political economy, culture, institutional context, power relations, society, etc. ▪ More support to institutions outside the executive which exercise an oversight role e.g. public elected bodies
Civil Society	<ul style="list-style-type: none"> ▪ Develop monitoring system with indicators ▪ More research to understand corruption ▪ Clarify roles of private sector, judiciary, civil society, etc. in the governance and anticorruption agenda. ▪ More support to public elected bodies ▪ Introduction of mechanisms to promote public-private-society policy dialogue ▪ Creation of demand for the prevention of bad governance amongst civil society, private sector and media, but also amongst officials from the executive. ▪ Making civil servants more moral by providing them training and appropriate salaries. ▪ Investing in capacity building of civil society and sector associations. ▪ Use PRSC to support governance, especially at local level.
Private sector	<ul style="list-style-type: none"> ▪ More research to understand corruption ▪ Creation of demand for the prevention of bad governance amongst civil society, private sector and sector associations. ▪ Invest in capacity building of civil society and private sector associations. ▪ Build clean hands culture amongst the population and the private sector. ▪ Human resource development reorganization: give more attention to recruitment (e.g. admit talent from private

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	<p>sector), promotion, firing and training to ensure the competence of civil servants.</p> <ul style="list-style-type: none"> ▪ Ministries should focus on macro management and policy appraisal. Policy formulation should be socialized and delegated. ▪ Encourage the disclosure of banking information and move from credit banking activities to banking services activities ▪ Build a transparent and clear legal system, which is accessible to all businesses. ▪ Support with training, capacity building, information, organization of forums, etc. the role and the voice of private sector associations in the GAC agenda. ▪ Disclose budget of public projects and involve more actively the People’s Councils. ▪ Identify institutions at grassroots level to combat corruption ▪ Focus on prevention of corruption, by reducing opportunities for corruption such as red tape and the ask-and-give mechanism ▪ Learn from best practices from other countries with a single party system such as Singapore.
World Bank Vietnam staff	<ul style="list-style-type: none"> ▪ Develop monitoring system with indicators <p>More research to understand corruption</p>
3. How the Bank should engage where governance is weak, and circumstances under which to disengage	
Donors	Do not abandon the poor, who are the ones suffering more from corruption. There will always be an entry point in some sector.
World Bank Vietnam staff	Do not abandon the poor. Some risk needs to be taken to protect the poor.
4. How to ensure fair and consistent treatment across countries	
Donors	Use aggregate integrity indicators
5. How to strengthen the Bank’s work with champions of reform outside the executive branch of government – parliament, judiciary, civil society, media and the private sector	
Civil Society	<ul style="list-style-type: none"> ▪ Capacity building of civil society so that they can participate in the GAC agenda. <p>Clarify role of these champions of reform in the GAC agenda</p>
Private sector	<ul style="list-style-type: none"> ▪ Capacity building and information transmission to the private sector associations so that they can participate in the

Respondent Type	Consultation Reply
	<p>GAC agenda.</p> <ul style="list-style-type: none"> ▪ Help the private sector have their voice heard e.g. organize forums
6. How to mitigate fiduciary risk in Bank operations?	
Government	<ul style="list-style-type: none"> ▪ The oversight of corruption should have a country-level anticorruption team, a sector level anticorruption team and an anticorruption adviser at project level. ▪ In high risk countries, anticorruption actions plans should be required for all projects facing high risk of corruption and some sanctions (e.g. restriction or suspension of financial support) should be introduced. ▪ Mechanisms to mitigate corruption at project level should be supplemented by sanctions for violations of parties related to project implementation. ▪ The Bank should emphasize more strongly the transparency of the borrower in management of projects. ▪ Mechanisms for mitigating risk are necessary, but they should not obstruct in any way the provision of good technical and financial support to countries.
Civil Society	<ul style="list-style-type: none"> ▪ The Bank should not be a policeman. Poverty and development outcomes should be stressed rather than fiduciary risk. ▪ Increase monitoring and supervision since the approval of the project. ▪ Put anticorruption regulations in each project. ▪ Strengthen the participation of civil society and private sector in ODA management. ▪ Loans should be placed in clean hands, especially those loans that go for the poor. To ensure this, it is necessary to study the organization of the borrower e.g. history, management capacity and ethics of the leader.
Private sector	<ul style="list-style-type: none"> ▪ Increase monitoring and supervision of projects since their approval. ▪ Use more physical inspections e.g. checking that technical specifications are met. ▪ Remove the “ask and give” mechanism.
World Bank Vietnam staff	<ul style="list-style-type: none"> ▪ The Bank should not be a policeman. The priority is to provide good technical and financial support to countries and especially to the poor. ▪ The Bank should not use very complex techniques to supervise projects. In most cases, it is enough to apply common sense. ▪ Increase the capacity of the Bank to deal with the complaints received. ▪ Use more physical inspections instead of only checking transactions.

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	<ul style="list-style-type: none"> ▪ Get feedback from beneficiaries at the lower level and build partnerships with them. ▪ Develop a system of “allowed” and “not allowed” to help those that supervise projects. ▪ INT should be using the wealth of information that they have to report on outcomes and to learn lessons. ▪ Remove the “ask and give” mechanism while designing the project. ▪ Don’t duplicate the systems of the government, but rather add on them. ▪ Move from ex-ante review to ex-post review to focus on outcomes and not on inputs. ▪ Strengthen government systems e.g. support a transparent allocation of money, support the punishment of poor performance and the reward of good performers, support the decentralization of delivery to reduce administrative lawyers, etc.
7. The Bank’s role vis-à-vis other donors in supporting governance reform	
Government	<ul style="list-style-type: none"> ▪ Donors’ efforts need to be more consistent and should not duplicate each other. ▪ Donors should share experiences.
Donors	<ul style="list-style-type: none"> ▪ Donors should share experiences. ▪ Division of labor amongst donors. ▪ The Bank should leverage. ▪ The Bank has a strong role to play. ▪ The Bank should focus on analytical work.
8. How to monitor progress in governance and anticorruption at the country level	
Donors	Aggregate indicators do not help
Civil Society	<ul style="list-style-type: none"> ▪ Involvement of people in monitoring and evaluation ▪ Monitoring across provinces and across sectors can bring light on corruption and mismanagement
9. Areas for improvement in GAC strategy and country-level support	
Government	<p><u>WB GAC Strategy:</u></p> <ul style="list-style-type: none"> ▪ The report is very large, ambitious and comprehensive. Priorities for each country should be identified to avoid inefficient implementation. ▪ Put more emphasis on international cooperation, especially in the implementation of key international legal instruments, in providing legal assistance, in training, and in sharing information and experiences.

Respondent Type	Consultation Reply
	<p><u>WB support to Vietnam:</u></p> <ul style="list-style-type: none"> ▪ Make consultations with the lower administrative levels outside the capital. ▪ Emphasize more support to society, private sector and media. ▪ Emphasize more institutional transparency and openness. ▪ Emphasize more support to public elected bodies.
Donors	<p><u>WB GAC Strategy:</u></p> <ul style="list-style-type: none"> ▪ Narrow definition of governance. Human rights could be included. ▪ Commitment to poverty reduction could be more emphasized. ▪ The Strategy does not address how to deal with large aid inflows which could influence corruption. ▪ Good balance between anti-corruption and the broader governance agenda must be found. <p><u>WB support to Vietnam:</u> The Bank has a strong focus on public financial management. It should also give support to participation, democratic structures and accountability, which are very important for budget support modalities. The Bank could also start engaging with the media, the private sector and institutions outside the executive.</p>
Civil Society	<p><u>WB GAC Strategy:</u></p> <ul style="list-style-type: none"> ▪ Commitment to poverty reduction could be more emphasized ▪ The definition of governance used in the Strategy is very state-centered, downgrading the importance of other actors. ▪ The Strategy should link anticorruption and waste of resources. ▪ Mechanisms for capacity strengthening and transparency at sub- national level do not receive attention. Partnering with INGOs could help. ▪ The support to anticorruption action plans should be done in partnership with civil society, both in the preparation and in the monitoring of the implementation. <p><u>WB support to Vietnam:</u></p> <ul style="list-style-type: none"> ▪ The Bank should make transparency and openness more important. ▪ The Bank should support organizations specialized in training for Civil Society Organizations. ▪ The Bank should work with Sweden and the civil society to increase the publicity and feedbacks to the State Audit reports.
Private sector	<p><u>WB support to Vietnam:</u> The Bank should support private sector associations</p>

Respondent Type	Consultation Reply
World Bank Vietnam staff	<u>WB GAC Strategy:</u> The Strategy presents tensions between protecting the money of loans and strengthening government systems. The former can distract the attention away from the latter.
10. Other key issues	
Civil Society	Corruption from WB staff should also be prevented.