

Acknowledgements

The bulk of the preparation of this draft paper was undertaken by Edmund Attridge, Staff Consultant, in ADB Vietnam Resident Mission (VRM). Stefan Nachuk provided research and drafting assistance, and Dao Viet Dung, also from VRM, provided research support. The paper benefited from close interaction with members of a Sub-group on Governance and Public Management Indicators which included: Mr Phan Van Diem, International Cooperation Department, GCOP; Mr Nguyen Minh Man, Director, PAR Department, OOG; Mr Tranh Quoc Phuong, PSRP Assistant, General Economic Department, MPI; Ms Nguyen Thi Kim Thanh, Deputy Director, Monetary Policy Department, SBV; Mr Nguyen Huy Ngat, Director, International Cooperation Department, MOJ; Mr Le Huu Cat Dien, Assistant to Resident Representative, Growth and Government Unit, UNDP; Mr Soren Davidsen, Programs Officer, UNDP; Ms Lindy Cameron, Governance Adviser, DFID; Mr Takao Shimakao, Representative, JBIC; Ms Amatsu Kuniaki, Project Formulation Advisor, JICA; Ms Luong Mai Dung, Assistant Program Officer, JICA; Mr Mark McPeak, Country Director, Plan International; Ms Rosemary Greve, Director, ILO Hanoi; Ms Nisha Agrawal, Chief Economist, World Bank, Hanoi; Ms Mandy Woodhouse, Country Representative, Oxfam; Mr Isabeau Vilandre, Country Representative, CECI Vietnam; and Mr Alessandro Pio, Principal Country Officer, ADB.

FOREWORD BY THE POVERTY TASK FORCE *

This series of papers on the Vietnam Development Goals (VDGs) reflects a collective effort by the Poverty Task Force to propose a set of goals and intermediate indicators, which represent both the core developmental vision of Vietnam as well as the Government's efforts to meet international goals. This analytical work was carried out during 2001 and early 2002 as the Government of Vietnam drafted a Comprehensive Poverty Reduction and Growth Strategy (CPRGS) and was trying to establish a clear accountability framework for monitoring future progress. This process involved looking across the many goals and targets incorporated in key strategy documents (especially the Ten Year Socio-Economic Development Strategy and the ten-year sectoral strategies) to select a small number of goals that could reflect the strong national strategic emphasis on economic growth, poverty reduction and social equity. Although national strategies were used as a starting point, the CPRGS drafting team was also aware that international commitment to achieving important poverty and social outcomes across the globe had intensified – an effort expressed in the Millennium Development Goals (MDGs). The MDGs are a set of goals embodied in the Millennium Declaration, which has been adopted by 180 countries including Vietnam. A report on progress made in Viet Nam towards achieving the goals was prepared by the UN Country Team in July 2001.

The Government wanted to ensure that the CPRGS reflected their commitment to the international targets. For a number of reasons, however, it was important to adapt the MDGs to fit local circumstances rather than adopting them in their original form. First, Vietnam has reached, or nearly reached some of the MDGs. Poverty, for example, has already halved between 1990 and 2000. It makes sense, then, for Vietnam to define a new localized version of the poverty goal in order to motivate policy formulation over the coming years. Secondly, though Vietnam performs well on some of the access targets – for example in basic education – there are urgent challenges associated with improving the quality of those services to international levels. While it is clearly still important to strive for universal primary education, for example, it is also important to make sure that the children in school are attaining standards that are similar to other countries. Thirdly, Vietnam has its own strategic planning cycle with different start and endpoints from the MDGs. It is helpful to align the 25-year cycle of the MDGs with the five and ten year cycles of the Vietnamese planning horizons so that measures and actions can be tailored to outcome targets for 2005 and 2010 which are, in turn, consistent with targets for 2015. Fourthly, there is a call for establishing subnational targets to capture, for example, issues related to ethnic minority development or inequality. Finally, there are areas which are particularly challenging for Vietnam at its current stage of development but which are not covered by the MDGs. As an example, although Vietnam has performed well in delivering basic social services, it has lagged behind in initiating necessary governance reforms which will be crucial to attaining some of the other outcome targets proposed in the national strategies.

This series of papers was prepared to contribute to the Government's thinking on target-setting and monitoring in eight thematic areas:

- Eradicating poverty and hunger;
- Reducing vulnerability and providing social protection;
- Providing quality basic education for all;
- Improving health status and reducing inequalities;
- Ensuring environmental sustainability;
- Promoting ethnic minority development;
- Enhancing access to basic infrastructure ; and,
- Ensuring good governance for poverty reduction.

* The Government-donor-NGO Poverty Task Force has been working collaboratively on poverty analysis (World Bank et al, 1999) and strategic planning since 1999. While the CPRGS was being drafted, the PTF comprises 16 Government ministries, 6 donors, 4 international NGOs and 4 local NGOs.

No separate paper was produced on promoting gender equity for two reasons. First, it was considered important that gender issues were mainstreamed across these eight areas. Secondly important issues outside these eight areas were already being addressed as the Government formulated its Second Plan of Action for the Advancement of Women.

Early versions of these draft papers were discussed at a 3-day workshop held in September 2001 attended by nearly 100 policymakers and practitioners. Government agencies, NGOs and donors have all participated in the working groups established to oversee the production of these documents. Further consultations on the drafts took place with sectoral ministries and agencies over the early part of 2002, the most intensive drafting period of the CPRGS. The CPRGS has been approved by the Prime Minister in May 2002 and outlines a set of goals and indicators which clearly reflect the analytical work and debates that have taken place over the last year. A slightly shortened, summarized table of VDGs (as articulated in the CPRGS) is included at the end of this paper.

Now that these papers are finalized, we hope that they will serve as a useful input for the implementation of the CPRGS, including the preparation of annual action plans.

CONTENTS

EXECUTIVE SUMMARY	iv
PART I: INTRODUCTION	1
PART II: GOOD GOVERNANCE AND POVERTY REDUCTION	2
PART III: SELECTING INDICATORS IN GOVERNANCE / PUBLIC MANAGEMENT	5
A. Improved governance is not an end in itself but a means to an end	5
B. Applying four principles of good governance to poverty reduction	6
C. A brief overview of governance indicators	6
D. Choosing the indicators	7
E. Possible governance / public management outcome indicators	8
F. Recommended indicators	8
PART IV: BASELINE AND TRENDS: IMPROVING GOVERNANCE AND PUBLIC MANAGEMENT SO AS TO SUPPORT POVERTY REDUCTION	13
A. The experience in reform of governance / public management in Vietnam	13
B. Recent development in good governance in Vietnam	14
PART V: KEY FACTORS TO ACHIEVE GOALS AND RELATED POLICIES	16
PART VI: MONITORING	19
A. Developing process indicators	19
PART VII: NEXT STEPS	21
BIBLIOGRAPHY	22

EXECUTIVE SUMMARY

Governance is a cross-cutting issue. It affects every sector of development. Weak governance, due to a combination of inefficient service delivery, inadequate policy settings and other causes, has a disproportionate impact on the poor. Improvements in governance are therefore essential to poverty reduction.

There are four pillars of good governance, which support building more effective and efficient institutions of government: accountability, transparency, participation, and predictability. Reforms to governance should embrace these four principles.

To date, reforms to governance and public management, such as through restructuring, have only had a limited impact on the poor. Reforms affecting the poor have included establishing administrative courts, simplifying bureaucratic procedures such as under the Enterprise Law; setting up a small number of one-stop shops for service delivery. Further reforms are planned under the recently-approved Public Administration Reform (PAR) Master Program that should have a beneficial impact on the lives of the poor.

Greater focus is needed on whether improvements in governance do benefit the poor. This depends on the outcomes in fact achieved. These outcomes include increasing the empowerment of the poor; making the market economy work from the poor's perspective, and the building of the capability of the State in key areas so as to guarantee the equitable and universal provision of effective basic services.

The recent report *Vietnam 2010: Entering the 21st Century*¹, identified five key areas for improved governance. These are: a stronger, more efficient public service which is capable of implementing policy and delivering better services to the people at all levels; better and more transparent public financial management; wider access to justice and ensuring that the same rules apply to all; more participative and responsive

government, particularly at local levels; and a government which fights corruption and waste at all levels.

Based upon these parameters, eight core governance indicators have been developed for future use and then for refinement through more specifically expressed indicators at the sectoral level:

1. Level of **information publicly available** regarding services, policies and planning arrangements at all levels.
2. Extent of **access of the poor to basic government services** such as health, education, infrastructure, water and power **at the local level**.
3. **Level of budget transparency regarding provincial and local taxation, budgeting, and spending patterns in each sector.**
4. **Extent to which, at the national level, the level of expenditure that is targeted to pro-poor purposes is predictable from year to year.**
5. Extent to which **the decisions and verdicts of courts and tribunals** are publicly available.
6. Extent to which **local government is responsive** and follows up on service delivery problems that are raised with them by the poor.
7. Extent to which the **Grass Roots Democracy Decree** has been implemented in each commune so as to improve opportunities for public participation.
8. Extent to which **laws combating corruption** are effective

The indicators could be measured quantitatively using existing systems such as budget documents or, qualitatively, using client survey techniques such as a scorecard.

¹ Produced by the World Bank, Asian Development Bank and United Nations Development Program, November 2000

PART I. INTRODUCTION

This paper proposes a series of governance and public management indicators to be used in assessing progress in meeting the poverty reduction targets in Vietnam, having regard to the Millennium Development Goals (MDGs) for poverty reduction. This work is intended to support the Government of Vietnam's² development of a Comprehensive Poverty Reduction and Growth Strategy (CPRGS). The paper reflects the work and discussion undertaken by the sub-group (SG) that was formed by the Poverty Task Force (PTF) to consider these issues.

Governance is concerned with the overall institutional environment in which citizens interact and within which economic, political, legal and administrative authority are exercised to manage a country's affairs at all levels. It involves all the institutions of the State at the national and sub-national level, including the executive Government, the Ministries and other Government agencies, the National Assembly, the Supreme Court and other courts and tribunals, Peoples Committees and Peoples Councils and State organizations at the provincial, district and commune level.

Good governance is the process of translating societal demands into choices, resulting in policy formulation and implementation. Good governance is epitomized by predictable, open and enlightened policy making (that is transparent processes); a bureaucracy imbued with a professional ethos; an executive arm of government accountable for its actions; and a strong civil society³ participating in public affairs; and all behaving under the rule of law.⁴ As such, there are four main pillars of good governance: transparency, accountability, participation, and predictability. The existence of each of these factors will promote higher quality public management.

In this paper the linkage between governance/public management and poverty reduction is explored, before outlining possible governance and public management indicators and the choices made by the SG. The paper

next outlines baseline information on the governance and public management experience in Vietnam and refers to some of the key factors and policies to achieve goals in this field. The paper concludes with a discussion of arrangements for monitoring the indicators.

Targets for governance and public management are not specifically covered in the International Development Targets (IDGs) or the Millennium Development Goals (MDGs). In these circumstances, the PTF has asked the SG to consider international best practice and the Government's sectoral targets for the purpose of developing relevant indicators.

The SG recognizes that there is a natural desire to see quite specifically expressed indicators put in place in Vietnam. However, there is a real difficulty in developing precise governance and public management indicators for this very broad and overarching subject. This was mainly because, if the indicators that are to be applied in this field are to be expressed to cover the entire field of governance and public management, the language in which they are expressed is likely to be quite broad. The SG felt this was nevertheless an important task that should be undertaken. However, in doing so, it recognized there is also a risk that some indicators could be seen as abstract and as lacking the preciseness that enables measurement. For this reason the SG sees these indicators as only a first step. It therefore recommends that, after appropriate consultation, further work is undertaken to develop from the generally-expressed indicators more specific governance/public management indicators for each sector.

Together with the assistance being provided by the seven other sub-groups that were set up by the PTF, the work of the Governance and Public Management SG will be used to support the Government's development of a CPRGS.

Halting and reversing the spread of HIV/Aids by 2015

² 'The Government' will be used in this paper to refer to the national government. References to 'the government' cover all levels of government, both national and local.

³ Civil society embraces all members and elements of society outside Government including local communities at village level, to NGOs, to representative organisations and various interest groups, to the private sector etc.

⁴ World Bank, *Governance: The World Bank's Experience*, 1994

PART II. GOOD GOVERNANCE AND POVERTY REDUCTION

Making the linkage between national strategies for poverty reduction and improvements in governance and public management is essential to the success of the CPRGS. The empirical research in a number of countries establishes that where there is weak governance this reinforces poverty⁵:

- Knack and Keefer establish a linkage in their research between measures of trust and civic cooperation and economic growth⁶;
- La Porta's work establishes a relationship between trust and efficiency of the judiciary, corruption, bureaucratic quality, tax compliance and civic participation;⁷
- Kaufman⁸ found a significant causal relationship between the rule of law and income of nations, and also with reduced infant mortality and literacy;
- The *Voices of the Poor* study⁹ conducted in 60 countries in 2000 found that the common element that ties the poor together was lack of power and voice.

The impact of poor standards of governance in fact usually falls most heavily on the poor. Poor people are generally excluded from the institutions that put in place plans, policies and rules determinative of their rights and obligations; that make decisions that affect their lives; and which allocate and administer public resources to programs affecting them. Whether it is through inefficient service delivery; through

unfavorable policy settings; through inappropriate allocations of public resources away from socially useful goods such as education; through corruption; or through the inability to enforce their legal rights- the poor are often the most adversely affected by poor governance and public management. Unlike people on higher incomes, poor people often lack the power and the resources to respond effectively to weak governance.¹⁰

Implementation of a range of strategies to reduce poverty, which includes the improvement of governance as an integral and critical part, is thus required to overcome the disadvantage suffered by the poor.

The work of donor agencies also suggests that in pursuing the range of strategies that are needed to reduce poverty, one main pillar must be improvements in governance and public management. By way of example, Box 1 describes the three strategic pillar approach taken by the Asian Development Bank (ADB)¹¹.

Thus, the empirical research, and the development experience of a number of donors, suggests that the achievement of a number of the poverty reduction targets and the indicators that will be included in the CPRGS which is now being developed, may be compromised unless there are improvements to the capability and performance of the Public Sector. A number of the Interim Poverty Reduction Plans (IPRSPs) that have been developed in other countries explicitly recognize

⁵ See D.Narayan, draft *Staff Guidance Paper on Empowerment* prepared for the World Bank, August 2000; M. Moore, *Polity Qualities: How Governance Affects Poverty*, Institute of Development Studies, 1999; United Nations Development Program (UNDP), *Choices for the Poor- Lessons from National Poverty Strategies*, edited by A.Grinspun, 2000

⁶ S Knack and P.Keefer, *Does Social Capital Have an Economic Payoff? A Cross-Country Investigation* 'The Quarterly Journal of Economics', 1997

⁷ R.La Porta, F.Lopez de Silanes, Aheifer, R Vishny, 'Trust in Large Organisations', American Economic Review, Vol. 87, No. 2, p. 333

⁸ D. Kaufmann et al, *Governance Matters*, World Bank paper, 1999

⁹ D. Narayan et al, *Voices of the Poor: Can Anyone Hear Us?* World Bank paper, 2000

¹⁰ See UK Department for International Development, *Making Government Work for Poor People*, June 2000; World Bank, *Poverty Reduction Strategy Sources Book*, Volume 1, Chapter on *Governance and Poverty Reduction*, 2001- it cites as an example household surveys that indicate that the poor pay a larger share of their income in bribes.

¹¹ See ADB, *Fighting Poverty in Asia and the Pacific, The Poverty Reduction Strategy*, 1999. As to the element of decentralization, there have been difficulties in implementation of decentralization in many countries flowing in particular from poor design, too ambitious strategies and/ or from capability issues. Decentralization should be pursued carefully and in a phased manner (see pages 13-14 of the *Strategy*).

Box 1- ADB Poverty Reduction Strategy

STRATEGIC PILLARS	INTERVENTIONS		
	Short-term	Medium-term	Long-term
Pro-Poor, Sustainable Economic Growth			Private Sector Development
			Regional Cooperation
		Agriculture & Rural Development	
		Environment and Natural Resource Management	
		Transport, Communications, Energy and Finance	
Good Governance		Public Expenditure Management and Administration	
		Decentralization (Devolution)	
Social Development		Stakeholders Participation	
		Social Protection	
		Health and Education	
		Water Supply and Urban Development	

that risk as a very real one¹². The Government’s IPRSP of March 2001 already recognizes that implementing reform of governance and public administration must be one of the key strategies to promote economic growth and to create resources for poverty alleviation¹³.

A conceptual framework developed by the ADB, presented in Figure 1 (next page), shows that poverty reduction rests on a foundation of civil and social order, good governance, and institutional rules, effective markets, and pro-poor growth and focused poverty interventions. Weaknesses toward the bottom of this framework, such as weak governance, hurt the poor in two broad ways: first, they weaken the effectiveness of markets, and thus hold down economic growth. Cross-national research has shown that growth in the overall economy is on average accompanied by the same growth in the income of the poor¹⁴. Without strong growth, there is little chance of reducing poverty; and second, weak governance hurts the poor through non-economic channels. Growth and human development

does not automatically trickle down to benefit the poor. There is a need to empower the poor, by targeting the structures that create poverty. The quality of governance at the central and local level is often the crucial link to make poverty reduction effective.

Good governance for poverty reduction comprises, among other matters: (i) focussing poverty reduction resources and creating accountability in the use of public funds in the interests of the poor, (ii) building national capacities for pro-poor policy formulation and implementation, (iii) improving administration and private sector participation for better services delivery to the poor, (iv) shifting decision making nearer to the poor and helping the poor to organise themselves, (v) preventing corruption as it affects the poor most, (vi) strengthening the rule of law with clearly pro-poor enforcement procedures, and (vii) involving, in a participatory way, a diversified range of stakeholders including NGOs representing the poor¹⁵. However, where some of these elements of good governance are

¹² These can be accessed on the World Bank website (<http://www.worldbank.org>)

¹³ See page 21 of the Interim Poverty Reduction Strategy of the Government of Vietnam

¹⁴ Dollar, D. and Kraay, A. 2000. “Growth Is Good for the Poor”, Washington: World Bank,

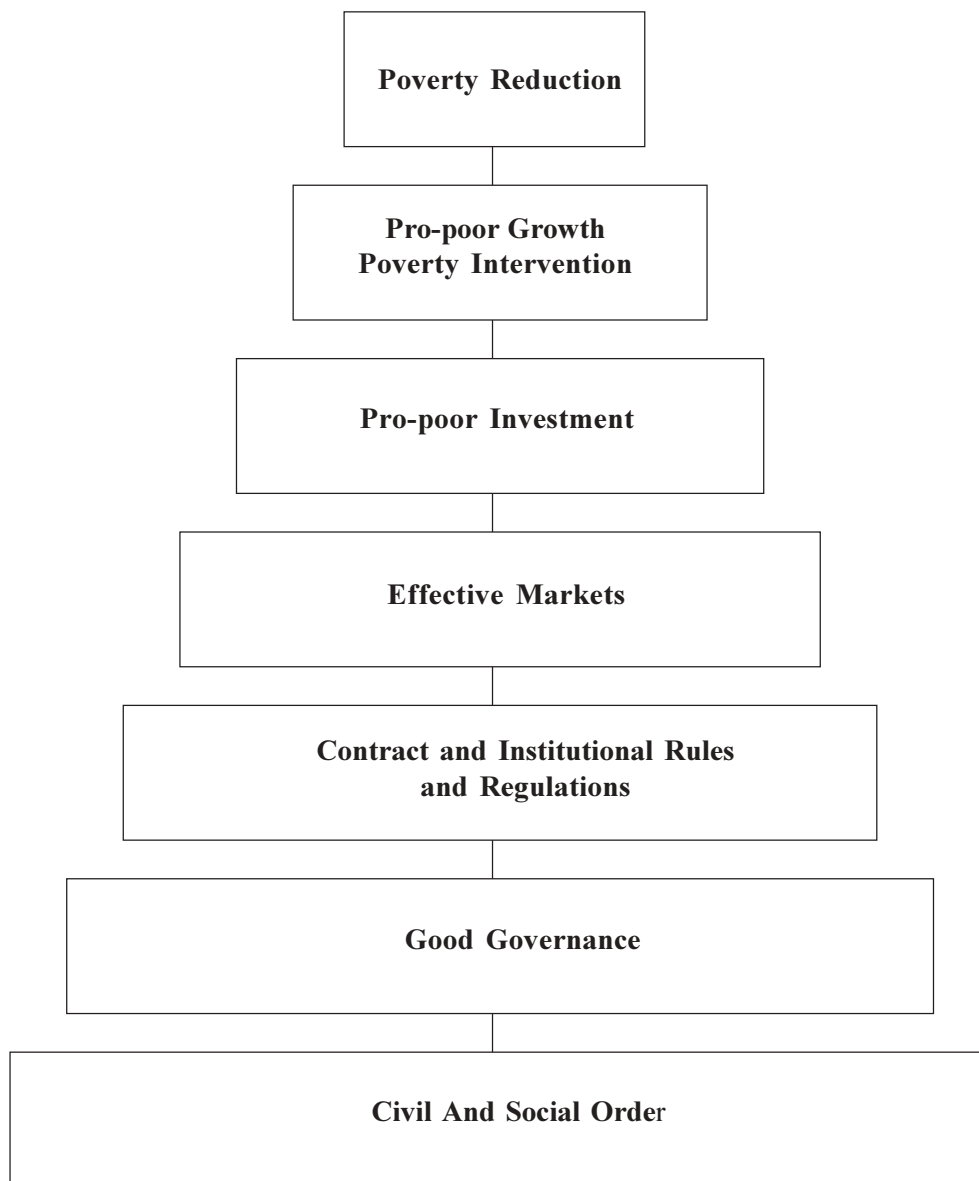
¹⁵ See the ADB, *Fighting Poverty in Asia and the Pacific: The Poverty Reduction Strategy of the Asian Development Bank*, 19 October 1999, R179-99

not present and there are difficulties in governance such as through lack of information, high transaction costs and weak enforcement of rules, this is likely to be because the institutional environment is weak.¹⁶

Thus, the most effective manner in which the Government can play its role in facilitating greater socio-economic development and bringing prosperity is by seeking ways of enhancing an increase in productivity, efficiency and effectiveness. Good governance not only promotes a sound development management system but

it is the critical foundation for long-term sustainable socio-economic development for the nation. It is essential therefore to note that the Government's poverty reduction programs as well as community participation approaches in its targeted poverty and infrastructure programs among others, such as Programs 133 on Hunger Eradication and Poverty Reduction, and Program 135 on Support to Especially Poor Communes, will have a far greater impact if they are addressed and implemented in a broader context of good governance.

Figure 1: Linkages in Poverty Reduction



¹⁶ S. Nachuk, *Key Issues Regarding Asian Development Bank Technical Assistance on Institutional Strengthening for the Central Region Poverty Reduction in Vietnam*, a paper prepared for DFID and ADB, July 2001

A. Improved Governance is not an End in itself but a Means to an End

In monitoring the progress achieved in the future in making the improvements needed in governance and public sector management in order to reduce poverty, it would have been relatively straightforward for the SG to recommend indicators based just on whether a reform has been implemented. This would involve treating the reform as an end in itself. However, it seems that some of the problems in progressing particular public management reforms in Vietnam have been due to focusing on process as an indication of progress rather than focusing more on ensuring that there are outcomes attributable to the governance reform that ensure the poor are in fact better off. The SG did not want to apply this practice.

The SG, therefore, has avoided suggesting governance/ public management indicators to the PTF that were merely the implementation of a reform such as restructuring in a Ministry or the introduction of some innovation in service delivery.

It may be that these reforms will be very efficiently carried out and that they do in fact have very laudable objectives of helping the situation of the poor. But the real question to be measured should always be, not whether the reform was implemented, but whether it eventually made **any difference to the poor in terms of any impact made on their lives.**

The SG has therefore tried to focus on what are the governance indicators that might be best used to determine what are the **outcome** on poor people’s lives.

As the Government’s PAR Master Program itself recognizes:

“PAR is meant to move towards delivering services to people in a better and more effective manner; it is not meant to bring benefits to administrative agencies (on their own)”

Indicators should therefore be practical and results-oriented rather than being concerned overly with the reform process itself or being technocratic in nature.

Box 2. Linkages between Poverty Reduction and Governance

Poverty	Governance
Empowering the Poor	- Rules for seeking and holding Public Office - Oversight by Political Principals (Parliament etc)
Improving Coverage, Efficiency and Sustainability of basic services	- Adequate predictable resources for sectors, local authorities - Demarcation of responsibilities for delivery - Capable and motivated Public Servants - Accountability downwards to the local level - Flexible delivery - Development of Local Capacity
Increasing Access to Markets	- Legal and Regulatory framework - Methods for reducing exclusion from the market - Demarcation of responsibilities and budget procedures for infrastructure support
Providing security:	- Rules for sound economic management
• From Economic Shocks	- Safeguards for economic vulnerability
• From Corruption, Crime and Violence	- Enforcement mechanisms - Efficient courts with competent judiciary and legal personnel

To give one example of an outcomes-approach, namely that which is taken by the World Bank, the Bank identifies four key outcomes of its poverty framework that good governance can help to achieve. These are through:

- Empowering the poor, in particular by improving transparency and by improving the poor's participation in governance¹⁷;
- Improving coverage, efficiency and effectiveness and sustainability of basic services;
- Improving the access of the poor to markets so that they can improve their standard of living;
- Providing security from economic shocks and from corruption, crime and violence.

B. Applying Four Principles of Good Governance to Poverty Reduction

Having regard to international best practice, the SG decided to apply four good governance principles to examining possible outcome indicators to be used to test the actual progress being made in the reduction of poverty. These are:

- **Accountability**- the obligation placed on government institutions and officials to give answers and explanations and to take responsibility for the impact of their actions on citizens- this provides the opportunity for citizens to have a voice and to participate in the affairs of Government;
- **Transparency**- this entails the free flow of low cost information that is understandable, reliable and timely;
- **Participation**- this refers to the opportunities available to citizens to participate in the affairs of government through mechanisms that give them a voice and influence in policy-making and program delivery;

- **Predictability**- refers to the rule of law and results primarily from laws and regulations and budgets that are clear, known in advance and uniformly and effectively enforced.¹⁸

If these four principles are complied with, government is also likely to be efficient in the use of resources and also more effective in the sense of better achieving desired program outcomes. Thus, in applying these principles:

- **Accountability**, can be promoted through mechanisms for requiring that responses be made in respect of institutional conduct, and through appropriate incentives, good supervision, and high levels of citizen participation;
- **Transparency**, can be promoted by regular publication and dissemination of information, as well as through enhanced feedback loops among citizens, officials, and policy-makers;
- **Participation**, can be promoted through mechanisms that enable citizens to be more involved in the conduct of government, particularly through the implementation of appropriate decentralization policies; and
- **Predictability**, can be promoted through consistent application of rules and policies.

Applying these principles impinges very directly on the issue of what are the outcomes that are being achieved for the poor. They concern what is being achieved in empowerment of the poor in the sense of increasing their ability to contribute to government; to avail themselves of government services; to take advantage of economic and social opportunities that are available to them; and to do so in an environment in which their security is protected and their rights can be enforced.

C. A Brief Overview of Governance Indicators

As outlined earlier in this paper, in recent years, researchers have demonstrated strong links between

¹⁷ For a recent discussion of empowerment issues see also Part III of the *World Development Report*, 2000-2001

¹⁸ See ADB, *Promoting Good Governance: ADB's Medium Term Agenda and Action Plan*, October 2000; ADB, *Governance: Sound Development Management*, 17 August 1995

good governance and higher levels of socio-economic development. However, until recently, most cross-country measures of governance were too broad to be of specific use to policy-makers. For example, measures like, the capacity of the State are interesting to measure, but findings are too general to lead to specific policy changes.

Frustration with this lack of specificity has led to further research being pursued regarding the development of “second generation” indicators. These indicators are more specific, and provide information that is more useful for policy application. For example, instead of “rule of law,” a second generation indicator might be, “percent of citizen respondents who submitted a dispute to the court system reporting that the dispute was resolved quickly and at reasonable cost.”

While still being piloted around the world, in one recent paper (Knack, Kugler, and Manning, 2001), the authors attempt to develop a group of second-generation indicators for cross-country use. The authors include a variety of criteria for development of these indicators, including the Indicator implicates specific institutional arrangements; lends itself to valid and reliable quantitative measurement; time series or cross-country data exists for the indicator; and there is an independent association between the indicator and pro-poor outcomes.

While these criteria may be appropriate for drawing conclusions based upon large data sets, the governance indicators below have been selected according to somewhat different criteria. Developing and using governance indicators in the one country creates the possibility of providing high quality, reliable information that can be used by Vietnamese policy-makers.

D. Choosing the Indicators

Indicators will be used to monitor progress regarding good governance/public management. As noted above, there is no standard set of governance indicators used worldwide. To ensure that indicators are specific and relevant, in addition to the issues set out in Part IV above,

the following criteria have been used for development of governance indicators in Vietnam:

1. *Is the indicator relevant for helping address concerns regarding governance addressed in the other sectoral papers?* This implies that “high level” governance indicators may be less relevant for this exercise than indicators that address issues surrounding access to and quality of basic services.
2. *Do the indicators measure key issues addressed both in this paper and in the Vietnam 2010 report?*

There are many different frameworks that one could use for addressing governance concerns. For reasons of consistency and coherence, the following two parameters will be used in the matrix that the SG has developed. The first parameter is the vision of good governance, as summarized by the five key governance issues outlined in the Vietnam 2010 report (see Chapter 7). The second parameter is the four pillars of good governance that have been discussed in this paper.

The five key messages outlined in the *Vietnam 2010 report*¹⁹ are: A stronger, more efficient public service which is capable of implementing policy and delivering better services to the people at all levels; better and more transparent public financial management; wider access to justice and the same rules applying to all; more participative and responsive government, particularly at local levels; and a government which fights corruption and waste at all levels.

The **four principles of good governance** as outlined earlier in this paper are: accountability; transparency; participation; and predictability.

3. *While being comprehensive, are the indicators specific enough to be meaningful for the future policy process?* The purpose of this exercise is to gather information that

¹⁹ *Vietnam 2010, Entering the 21st Century*, Vietnam Development Report, *Pillars for Development*, December 2000

can be used by policymakers; if the information is suitable only for research papers, for example, then the indicators will not have achieved their purpose.

4. *Are the indicators measurable?* Specifically, is there (a) enough information available, or potentially available? and (b) a small enough number of indicators to enable easy and frequent data collection? There is always a tradeoff in developing governance indicators between generating useful information and the high cost and difficulty of collection. For this exercise, a group of “core” indicators are proposed. To gather information, improved and more systematic data gathering tools are proposed.
5. *Are the indicators relevant for policy-makers and appropriate in the Vietnamese context?* Not all indicators are relevant for this exercise. For example, indicators regarding national security are probably not necessary to gather, as Vietnam has internal peace, and there is no imminent threat to national security from external powers, as Vietnam is at peace with its neighbors.

E. Possible Governance/Public Management Outcome Indicators

These are outlined in Table 1 next page.

The indicators marked in bold in Table 1 are those recommended by the SG for further consideration by the PTF. In making these recommendations the SG focused on three factors in particular: access to information, participation in government, and responsiveness of government. It also has endeavored to align the indicators with the current reform initiatives of the Government.

F. Recommended Indicators

1. Level of **Information publicly available to civil society regarding services, policies and planning arrangements at all levels.**

Improving service delivery is one priority under the PAR Master Program. Provision of information supports transparency in government in Vietnam. Having access to information assists the poor to seek services; to take advantage of opportunities available under government programs; to exercise their legal rights; to pursue economic opportunities available in the market; and to hold the government accountable. Information, whether provided in a written, oral or some other form, is essential to the poor being in a position to take action to improve their situation. Lack of information about program rules and benefits leaves poor people vulnerable to corrupt practices.²⁰

Often the information is theoretically available to those who are seeking it but there are barriers to accessing it by reason of remoteness of location, the bureaucratic language used in the explanations provided, the complexity of the administrative process such as the forms to be filled in, or the ethnic language of the person seeking the information. All of these barriers need to be addressed and resolved in ensuring that information is readily available.

Under the PAR Master Program, service delivery is to be decentralized and administrative procedures and forms simplified. These reforms should assist to improve the flow of information to the poor, provided that attention is also given to improving information about the quality of service performance.

2. Extent of **access of the poor to basic government services such as health, education, infrastructure, water and power at the local level.**

Poor people lack the resources to satisfy the bare necessities of life. Pro-poor strategies needs to involve increasing the effectiveness of government so that it enables the poor to develop their own capability; to improve their income; and to move out of poverty. Where government provides access to a range of basic services such as health, education, infrastructure, water and power, this significantly enhances the ability of poor people to improve their economic and social well being.

²⁰ *Voices of the Poor*, Chapter 3 on State Institutions, World Bank, 2000

Table 1. Possible Governance/Public Management Outcome Indicators

Outcome	Transparency	Accountability	Participation	Predictability
A stronger, more efficient public service which is capable of implementing policy and delivering better services to the people at all levels	Extent to which information is publicly available regarding services, policies and planning arrangements at all levels	Degree of redress that the poor can obtain when faced with poor access to and/or low quality services from the Public Service Whether civil servants are being paid and promoted in accordance with merit	The extent to which the poor has an opportunity to participate in the policy-making & implementation process at the local level,	Extent of access of the poor to basic government services such as health, education, infrastructure, water and power at the local level.
Better and more transparent public financial management	Level of budget transparency regarding central, provincial and local taxation, budgeting, and spending patterns for each sector	The extent to which expenditure that is incurred at all levels of government is open to independent scrutiny and report	Whether the poor has the opportunity to participate in budget formulation at each level of government	Extent to which, at the national level, the level of expenditure that is targeted to pro-poor purposes is predictable from year to year
Wider access to justice and a level playing field	Extent to which decisions and verdicts of courts and tribunals are publicly available Extent to which the means of redress are made available	Ability of the poor to access the court and tribunal system to seek redress, including against Government agencies	Extent to which there is a process for consultation with civil society in the process of preparation of laws, decrees and regulations	The law is applied by all institutions fairly and predictably in all fields of activities, including in the resolution of administrative disputes
More participative and responsive government, particularly at local levels	Extent of formal recognition of the role of civil society in government at all levels	Extent to which local government is responsive to and follows up problems that are raised with them by the poor	Extent to which the Grass Roots Democracy Decree has been implemented in each commune so as to improve the opportunities for public participation	Services provided at the local level to the poor are delivered in accordance with client charters
A government which prevents, and fights, corruption and waste at all levels	Extent to which information on corruption and waste is made public	Extent to which there are institutional mechanisms for pursuing corruption and waste	Extent to which there are institutional mechanisms available to civil society to raise issues of corruption and waste	Extent to which laws for combating corruption are effective

Often formal institutions of government are seen as ineffective and sometimes even irrelevant to the life of the poor. The level and form of basic services that are needed by the poor in a particular province needs further discussion at the sectoral level and specific indicators then need to be devised.

Recent research conducted in Vietnam also suggests that there is a relationship between lack of access to health and education and low human capital and that poverty is becoming concentrated amongst people with low human capital which is in turn linked to lack of ability to access education and health services.²¹ In particular, their ability to access services is being adversely affected by cost and by location of some services at localities that are remote from the poor.

Better-targeted interventions are needed from government so as to ensure the availability of basic services and to avoid the poor remaining so, regardless of the economic growth that is now occurring around them in Vietnam.

3. Level of budget transparency regarding provincial and local taxation, budgeting, and spending patterns in each sector.

Budget transparency is critical to the poor's understanding of how money is being spent and to ensuring that it is properly targeted on pro-poor programs. It is also critical to ensuring accountability. While the transparency of the national Budget has improved since 1997, the PER²² recommended further transparency reforms should be made and these are planned under PAR. In particular, there is a need for further disaggregation of expenditure at the provincial and sectoral level so as to establish the flow of budget funding to the poor more precisely.

Transparency at the local government level is very uneven, both in respect of revenue-raising and expenditure, and needs significant improvement. For example, the extent of compliance by communes with the Decree 23 requirement to post their budgets outside commune offices appears to be low. Lack of transparency hinders the poor from pursuing

accountability in respect of the collection or expenditure of these funds.

4. Extent to which, at the national level, the level of expenditure that is being targeted to pro-poor purposes is predictable from year to year.

Improving the situation of the poor is not assisted where expenditure of significant sources of government funds goes to economic, social or other programs that should be a lower priority than pro-poor programs. Often this in turn reflects weaknesses in the current policy settings of government as well as underlying problems with the policy formulation process that also need to be addressed.

The PER recommended in its 2000 report that the Government should give more attention to the extent to which funds were being directed to pro-poor expenditure. It referred in particular to education and health.

A related issue is the extent to which expenditure on pro-poor programs is being properly targeted to its intended recipients. The recent report on the Human Capital of the Poor suggests that spending in some sub-sectors of education and health disproportionately benefits the non-poor. In respect of health, for example, the report found that government subsidies, in some sub-sectors have been regressive and have been disproportionately captured by the non-poor. It recommended that policy-makers needed to rationalize resource allocation so as to improve equity and efficiency of expenditure.

The proposed indicator draws on proposed reforms to public financial management to introduce medium term budgetary arrangements. These reforms should provide greater certainty about the level of expenditure from year to year on pro-poor programs.

5. Extent to which the decisions and verdicts of courts and tribunals are publicly available.

Much of the literature concerning the linkages between governance and poverty reduction points to the

²¹ ADB, *Human Capital of the Poor*, 2001

²² Joint Report of the Government of Vietnam- Donor Working Group on Public Expenditure Review, Managing Public Resources Better, 2000

importance of a country having a legal system that supports rather than hurts the poor. The effectiveness of the rule of law has a profound impact on the conduct of economic and social relations and on the security of person and property.

Making available the decisions of courts and tribunals would be one effective way of ensuring there is greater transparency in the legal system. This would in turn enable greater scrutiny and accountability within the legal system. This indicator is consistent with the thinking of the Ministry of Justice on the directions of legal reform.

The SG did consider recommending an indicator which is that is concerned with the way that all institutions of the government applied the law in its dealings with the poor. This indicator would have been intended to encompass both the executive, the legislative, the administrative and the judicial function at all levels of government.

The evolution to a State based on the operation of the rule of law is underway. For its success one basic feature must be that all government agencies behave as bound by the law. As the Government's PAR Master Plan states, there must be:

“effective measures to curb acts which violate democracy freedom and indulge in arbitrariness, red tape, corruption, harassment for bribes and trouble-making people. It is important to strengthen administrative discipline and individual accountability, to equally and severely discipline those cadres and civil servants who commit violations.”²³

6. Extent to which local government is responsive to, and follows up on, problems in service delivery, that are raised with it by the poor.

Much of the reform that is underway in governance around the world is concerned with how can government be made more responsive to civil society and particularly in relation to service delivery. Sometimes it is a problem of service quality either related to timeliness, to administrative error or to difficulties in access. Sometimes it is a problem of the service that is provided

not being well suited to the person's situation and the question then becomes to what extent can government be flexible and adaptable to the situation. In either case, the poor are often not well equipped to access the right agency, to put their concern clearly, and to seek a better and more appropriate response from the Government.

The PAR Master Program acknowledges the extent of the current problems with service delivery across government. However, the likelihood in the near future of a significant level of decentralization of responsibility down to the local government level could accentuate current shortcomings in service unless there is increased responsiveness. PAR also promises simplified bureaucratic processes to overcome red tape and reduce the transaction costs. Participation of the poor in design and implementation of these reforms could assist in ensuring that these reforms are properly framed so as to improve responsiveness and the interaction of the poor with government.

Improvements in responsiveness will require improvements in institutional capacity and changes in the current attitude and performance of many public servants. The poor have most to gain from such changes as by reason of their powerlessness they are often the most disadvantaged by the weaknesses in service delivery.

7. Extent to which the Grass Roots Democracy Decree has been implemented in each commune so as to improve opportunities for public participation

The Grass Roots Democracy Decree (Decree 29 of 1998) is particularly concerned with improving people's participation in decision-making on local planning, in major construction works, budget and related matters, as well as establishing mechanisms of accountability and transparency.

Participation in local government gives the poor the opportunity to discuss and to influence economic development, commune policies, budgets, plans, programs, building infrastructure and service delivery arrangements in ways that are more suited to their needs and circumstances. For example, many communes have

²³ PAR Master Plan at page 11

extensively discussed how to develop new job opportunities and in their planning have then tried to send people to other areas where they can learn new job skills.

While implementation of the Decree has been underway across Vietnam for some years, progress achieved to date varies from commune to commune. GCOP rates about 40% of communes as giving a very good performance in implementing the Decree. In around 17% of communes implementation has not gone much beyond formality. The full implementation of Decree 29 has considerable potential to empower the poor.

8. Extent to which laws combating corruption are effective

The Government has in recent years confirmed a number of times its commitment to stamp out corruption, while acknowledging that corruption continues to be a major problem. Firm sanctions have been applied in a number

of cases. However, the complicated and unclear administrative process, low rates of remuneration, excessive regulation, the opaque nature of decision-making, lack of public information, bureaucratic discretion on the part of middle level officials, and long delays, all contribute to corruption.

The poor are disproportionately affected by corruption because it increases the costs of utilizing the administrative system for them and can deprive them of a higher percentage of their income than others who live in more fortunate circumstances.

While the Government introduced an ordinance against corruption in 1998, and related legislation, if they are to be a disincentive to corruption, they must create an environment where corruption is effectively addressed and sanctioned. Therefore, the enforcement of those laws must be determined and strong. It is important that the emphasis is not just on dealing with corruption that has occurred but should also be more oriented to preventing corruption from occurring at all.

A. The Experience in Reform of Governance/ Public Management In Vietnam

In Vietnam the early part of the process of reform (Doi Moi) focused on building the foundations for the introduction of a socialist-oriented market economy. Much of the early focus was on economic development. This led to a period of rapid economic growth, up to 1997, and to a remarkable reduction in the overall level of poverty in Vietnam. The economic changes that were made also had considerable implications for the role of the State as it sought to put in place the necessary macro-economic and policy settings, the institutional arrangements and the regulatory framework. However, recent progress has been slow, and much remains to be done by way of further developing the private sector; instituting the rule of law; improving the performance of the public sector; and re-orienting and restructuring the State owned enterprise (SOEs) sector.

In reviewing the reforms to governance the SG recognizes that there has been progress in a number of areas affecting the poor, over the last 20 years:

- Political level- The National Assembly (NA) continues to strengthen its capability to scrutinize the performance of Government. The Grassroots Democracy Decree which seeks to strengthen the opportunities for the participation of the masses was passed in 1998. Some donors and NGOs have since conducted projects aimed at strengthening stakeholder participation in governance.
- Macro-economic stability- The economy is relatively stable; foreign investment rules have been made more flexible, new markets for tea, rice etc have been opened up; access to land for agricultural purposes has been improved; the Enterprise Law has expanded the opportunities for operation of the private sector; the opportunities for private sector growth are still constrained in some areas and the continuation of some inefficient and subsidized State Owned Enterprises has an impact on government expenditure.
- Policy framework supporting the poor- a number of specific Government programs have

been established²⁴. Remaining policy gaps are now likely to be addressed following development of the CPRGS.

- Service Delivery- Capability building both at the grassroots and national level has had some limited impact on improving service delivery such as through the reduction of bureaucratic processes and the creation of one stop shops. But the scale of service delivery problems remains large at all levels.
- Rule of Law- Many laws have been passed although the basic framework is still incomplete; programs have been launched to disseminate legal information to the public; legal institutions have been strengthened; legal education has been improved; the number of lawyers has increased; and legal aid is now available in nearly all provinces;
- Honest and Accountable Government- A number of laws prohibiting corruption have been passed and in some instances this has been followed up, either through inspectorates and in the courts, in enforcement action. Modest increases have been made to the salaries of public servants as part of the government's systemic approach to countering corruption

The Public Administration Reform (PAR) was launched in 1995. PAR implementation has led to date to a number of changes such as the passage of new laws and ordinances; review and adjustment of legal regulatory documentation; streamlining of a number of administrative procedures; improvements in personnel management through a new law which has established a system of ranks and grades covering all public employees; reduction of the number of governmental agencies, especially the number of Ministries. Improvements in transparency in Budget information have also been achieved through the publication of a national budget but there is still room for greater transparency in revenue collection and in the level of expenditure data provided, particularly at the local level.

By contrast with the slower pace of change in governance, Vietnam has under Doi Moi demonstrated a capacity to put in place decisively far-reaching

²⁴ Program 133 on Hunger Eradication and Program 135 on Support to Especially Poor Communes

economic changes to cope with changing circumstances. One such example is the Government's decision in 1998 to disband agricultural co-operatives and turn land over to the farmers to farm themselves leading to Vietnam moving from being a rice importer to one of the world's biggest exporters. This experience suggests that the conditions needed for reform in Vietnam include:

- Strong Government ownership of the change and consensus on the action needed;
- A sense of crisis that needed decisive resolution;
- A strong interest on the part of central and local public servants in implementing the reform;
- Active feedback and assistance from citizens regarding the need for and implementation of the reform; and
- Immediate and recognizable results.

However, when the success factors listed above are examined against the actual experience in implementing governance reform it may go some way to explaining the relatively modest level of change achieved so far in governance and public management reform.

As the recent report of the Central Committee to the 9th National Congress of the Communist Party of Vietnam stated:

“ Administrative reform has been slow and irresolute, and results meagre. The State apparatus has been organizationally cumbersome, with overlapping functions, numerous intermediaries and harassing administrative procedures; with not a few cases of disharmonious actions between higher and lower levels, and central and local authorities, hindering socio-economic development and reducing development motives. Certain individuals, due to personal or local interests, have been reluctant to step up administrative reforms and reform of the State organization and apparatus. Not a small number of public officials and employees have been substandard both in ethics and integrity, and in job qualifications, professional capacities and vocational skills.”

Thus, when you review the actual impact of governance and public management reforms on the daily lives of people at the rural level, while there has been some change, it is perhaps unsurprising to find that it is difficult to discern many lasting and practical improvements. For example, in many rural areas what makes people continue to be poor is their limited access to health care, education, water, sanitation, roads and transportation.

B. Recent Developments in Good Governance in Vietnam

Part of the difficulty in achieving a higher rate of change in governance and public administration that will confer benefits on the poor has been the lack of an agreed vision on what must be achieved, until relatively recently. Now, the declared vision of the Government, based on official statements contained in the 10-Year SEDS for 2001-2010 and the next 5-Year Plan, is for ‘a country that has efficient Government institutions at all levels, is governed by the rule of law, and ensures a fair, equitable society for all Vietnamese citizens, whilst ensuring national security and being compatible with the needs of a more market-oriented economy as well as uplifting the standard of living, particularly the poor’

In pursuing these outcomes, there are a number of reform streams in the field of governance and public management that are underway. They include:

- The PAR Review, and now the PAR Master Program, which has recently been approved by the Government;
- The joint Government Public Expenditure Review (PER) which was released in mid 2000;
- The joint Government/donor Legal Needs Analysis (LNA) that is currently being undertaken as a basis for development of a comprehensive plan for the legal sector, under the leadership of the Ministry of Justice (MOJ).

The PAR Master Program identifies seven programs covering four main areas of reform. The four areas are: (i) institutional reform based on building a legal and institutional framework; (ii) reform of the organizational structures of public administration; (iii) building the contingent of cadres and public servants; and (iv) public finance reform.

Many of the Government's PAR strategies, when they are implemented, should have an impact on the poor. These include:

- The redesign of the overall machinery of the Government could affect what organizations are in future involved in serving the interests of the poor;
- The proposed development of new legal institutions could enhance the ability of the poor to enforce their rights;
- The development of new laws relating to the institutions of Government is intended to reduce arbitrary behavior by delimiting the legal powers they have over the poor;
- The reduction of 'red tape' by development of new simplified and transparent administrative procedures will affect the way in which the poor will access Government services;
- Better defining mandates and functions of institutions, and restructuring those with a service delivery role, could enable institutions to better focus on serving the poor;

- Improving the capacity and motivation of public servants through better training, and an improved incentive system, should assist in improving the capability of organizations involved in policy formulation and service delivery affecting the poor;
- Decentralization of functions to the provincial level could provide greater empowerment to the poor both to be involved in decisions that affect their daily lives and to hold local officials accountable for their performance.

Similarly the PER recommended changes to budget and financial management including greater transparency to revenue raising and to budget allocations and enhancing the pro-poor bias of public spending.

The LNA is covering issues affecting the poor such as improving transparency of legal information systems; improved the capability of legal institutions to enforce the law; improving the law-making process and the consultation process on draft laws; strengthening legal education; and improving access to legal aid.

Improving the livelihood of the poor depends in part on implementing reforms to governance and public management that improve the performance of public institutions on issues that affect the poor. If the required improvements to governance and public management are to be implemented in a way that actually benefits the poor the Government needs to put in place the necessary policy and institutional arrangements for that purpose. As outlined in Part IV, the Government's PAR Master Program has recently been finalized. The LNA will not lead to a definitive plan for the legal sector before 2002. The political will that is apparent in the development of these visions for improved governance now needs to be converted into strong support for implementation.

Implementing the reforms to governance and public management under the PAR Master Program will be extremely challenging. Effective leadership and coordination from the central agencies such as the Government Committee of Organization and Personnel (GCOP) and the Office of the Government (OOG) is essential. The implementation of reform will be a long-term process and this will require meticulous planning, considerable guidance in implementation and careful sequencing of action. Capability is a major constraint and improvements will probably occur only slowly. Some resistance to change can be expected. For reform to succeed, the Public Service needs to develop a higher level of ownership and commitment to reform and to play an active supportive role in implementing the changes.

However, on the other hand, there are risks, if the reforms are not successful that the poor will be worse off. For example, as demonstrated in some other countries, decentralization measures, if not well designed and carefully managed in implementation, will be counter-productive in their impact on the poor²⁵. These risks suggest that the reform process needs to be managed pragmatically and flexibly depending on the different local contexts.

In assessing the relevance of governance/public management reforms to the poor, the *impact on the lives of the poor* in terms of three factors: *empowerment*,

opportunity and security, should be considered. The three factors might be explained as:

- **Empowerment** means the extent to which the Government provides information about its objectives, policies and plans and provides the opportunity to the poor to influence them in pro-poor ways. It also means the extent to which Government seeks to assist the poor to develop the capabilities required to better their lives, whether that it is through provision of education, health, infrastructure, social or other services.
- **Opportunity** is concerned with the extent to which Government is creating the environment, through the legal and regulatory framework, for the poor to gain access to markets so as to improve their income and living standards. This includes ensuring there are low transaction costs and that factors preventing access to the market are addressed through policy settings.
- **Security** is concerned with ensuring that land, property and personal rights are protected; that the rules regulating economic and social activity are reliably enforced (eg. access to credit); that access to basic Government services is guaranteed; and that there is a social safety net to protect the economically vulnerable.

The next important factor in evaluating the reform of governance is concerned with *the degree of stakeholder support* for making governance/public management more pro-poor through the implementation of the reforms earlier described in this paper.

The World Bank has suggested four key questions in gauging support for governance reform. These are: are there champions for reform; is there a long-term vision for fundamental change; is there dedication to creating a knowledge society; and is there engagement with civil society?²⁶ If these conditions are not met the chances of success in implementing reform are decreased. In applying this learning to the situation of Vietnam, the SG believes it is best to be cautious about

²⁵ World Bank, Poverty Reduction Strategy Source Book, 2001, at Volume I, Chapter on *Governance and Poverty Reduction* at page 15

²⁶ World Bank, *Assessing Aid*, 1998

the prospects for immediate improvements through reform unless the stakeholder support for implementation is apparent. Building stakeholder support requires information dissemination, consultation and involvement of stakeholders in the reform process.

Another important factor is concerned with the *institutional capacity for pro-poor reform implementation*. This is an issue at all levels in government, but the most immediate impact for the poor may be if local government does not develop the capability to serve the poor better. While it depends on the particular province, the capability of local government in many areas of Vietnam is still quite weak.

There are many examples of reform programs that have failed around the world because the necessary institutional or individual capability did not exist and was not created.

Governance and public management reform in Vietnam has some major capability hurdles to be surmounted in implementation. For example UNDP's evaluation of its poverty projects in seven provinces in Vietnam in 1998 showed the need for greater capacity-building in local government and village organizations.²⁷

However, skills need to be enhanced not just in managing and delivering programs that serve the poor but also in the formulation of the relevant policies and programs. Without these skills being enhanced, the achievement of some of the sectoral indicators that will be included in the CPRGS could be compromised.

The level of skills development required at all levels through training and other learning is very large. But this first requires that the capability of training institutions themselves be enhanced. PAR requires that the Public Servants who are serving the poor take on new and quite different attitudes and behaviors to performance in their jobs such as seeing the poor as clients with rights and entitlements to be provided with services to the requisite standards.

The approach taken for example by the United Kingdom's Department of International Development (DFID) to supporting the development of pro-poor governance focuses particularly on the development of the capabilities that it believes are needed by the State to be able to meet the IDTs. It has identified seven such capabilities²⁸. These are set out in **Box 3** below.

Box 3- Capability Framework used by the United Kingdom Department of International Development in Addressing Poverty Issues Related To Governance

The Department of International Development (DFID) in the United Kingdom has developed a framework of seven capabilities that Government needs to develop, in partnership with the private sector and civil society, in order to meet the IDTs:

- To operate political systems which provide opportunities for all people, including the poor and disadvantaged, to influence government policy and practice;
- To provide macro-economic stability and to facilitate private sector investment and trade to so as to promote the growth necessary to reduce poverty;
- To develop a policy framework which can meet the poverty eradication targets and to raise, allocate and account for resources in accordance with these pro-poor policies;
- To guarantee the equitable and universal provision of effective basic services;
- To ensure personal safety and security with access to justice for all;
- To manage national security accountably and to resolve differences between communities before they develop into violent conflicts; and
- To develop honest and accountable government that can combat corruption.

²⁷ See UNDP Poverty Report 2000, Chapter 6 on *Pro-Poor Local Governance: the Neglected Reforms*

²⁸ DFID. *Strategies For Achieving the International Development Targets: Making Government Work for Poor People*, June 2000

There are also likely in some circumstances to be a number of potential *constraints* to reform implementation. As M. Grindle²⁹ has pointed out, the poorest countries are often in the weakest position to make the necessary governance reforms to support poverty reduction because the reforms required can be quite overwhelming in dimension and scope and may also all seem to have a similar degree of urgency.

Thus, reforming of governance can produce comprehensive and multi-faceted lists of reform that are quite difficult to come to terms with.

In promoting reform to support reduction of poverty, it is important to be realistic about what the constraints are likely to be, without wishing to be seen in any sense as critical of the aspirations that lie behind reform.

In Vietnam the constraints that are likely to be faced include inadequate resources, unclear organizational mandates, the quality of leadership at particular levels, weaknesses in coordination between different levels of

government, poor feedback loops to civil society, inadequate incentive systems, corrupt practices, uneven enforcement of laws and decrees and a failure to apply sanctions for inadequate or improper bureaucratic performance.

Indeed the very fact of the conduct of a long-term exercise of reform implementation, if it is not well managed, could become a constraint. The Government is now engaged in developing more detailed action programs that will need to provide a realistic path forward for implementing changes in governance and public management.

The relative availability of resources will also be some constraint on the pace with which reform can proceed. The resource costs of making the changes to governance and public management are difficult to quantify but could be significant. GCOP and others are currently assessing through the resource implications of the PAR Master Program.

²⁹ See paper by M. Grindle, *The PSRP Process: What Next?* April 2001

PART VI- MONITORING

A. Developing Process Indicators

There are two steps in ensuring that indicators are monitored accurately. First, the indicators must be clear and mutually comparable among different regions of Vietnam.

Second, where data gathering systems are currently insufficient, new systems must be created (as has been proposed by the World Bank). For each indicator, two data gathering methods are proposed:

1. One quantitative method that can be measured using existing systems.
2. One qualitative method that will require systematic client surveys of selected citizens and civil servants.

Table 2 below sets out the proposed framework for measuring the eight outcome indicators recommended in Table 1.

Table 2: Proposed Governance/Public Management Monitoring Framework

Outcome Indicator (from Table 1)	Process Indicator
Level of information available to civil society regarding services, policies and planning arrangements	<ol style="list-style-type: none"> 1. % of communes providing information sheets on services etc 2. Client survey of citizens regarding local awareness of services etc.
Extent of access of the poor to basic government services such as health, education, infrastructure, water and power.	<ol style="list-style-type: none"> 1. % of poor with access to particular basic service in each province 2. Client survey of availability of particular services at provincial level
Level of budget transparency regarding central, provincial and local taxation, budgeting, and spending patterns for each sector	<ol style="list-style-type: none"> 1. Information published in the National Budget enables identification of expenditure/revenue by sector and province 2. Percentage of budgets that are published and available at provincial, district and commune level
Extent to which expenditure is pro-poor and is incurred in accordance with budget allocations and plans	<ol style="list-style-type: none"> 1. % of expenditure of National Budget identified as pro-poor 2. Audit/review of expenditure indicates that budget was in fact spent on the poor
The law is applied by all institutions fairly and predictably, including in the resolution of administrative disputes	<ol style="list-style-type: none"> 1. The increased independence of legal institutions is provided for by the law 2. Citizens surveys regarding perceptions of the application of the rule of law by government
Impact of implementation of the Grassroots Democracy Decree on involvement of civil society in local government	<ol style="list-style-type: none"> 1. Percentage of communes that provide arrangements for local participation in local government 2. Citizens survey of perceptions of the level of involvement of civil society in local government
Extent to which laws for combating corruption are effective	<ol style="list-style-type: none"> 1. Effectiveness of mechanisms provided by law laws 2. Results of client surveys on perceptions of effectiveness of laws

One key finding from experience of the joint Government-Donor working group that researched and wrote *Attacking Poverty* two years ago was that exclusive reliance upon either qualitative or quantitative data gathering methods resulted in incomplete findings. Quantitative data provided robust information that could be easily compared among different localities in Vietnam, while qualitative data (based upon four participatory poverty assessments) provided deeper insights into specific issues than information from close-ended quantitative questionnaires could.

As to quantitative data, the Government Statistic Office would need to consider playing a role.

As to the use of citizens surveys, this could be conducted by government or by independent groups. One such approach is the use of citizen's scorecards as piloted by the Public Affairs Centre in Bangalore. There are also examples of projects that have utilized participatory approaches involving the poor to monitor project involving public sector reform, judicial reform and financial management reform

PART VII- NEXT STEPS

Because governance has not, to date, been systematically addressed by a joint Donor-GOV team, there is much to do to ensure that indicators are monitored accurately, information is properly summarized and analyzed, and findings are fed into the policy process.

The following steps should be taken to ensure that this process is more than a “paper exercise,” and feeds into the Vietnamese policymaking system.

1. *Based upon comments, finalize indicators presented in this paper, at Part III.* In coming months, a number of stakeholders in the government and the donor community will review the indicators listed above. While a small number of government agencies have been involved in the SG’s work, there is in particular a need to develop stronger government ownership of the indicators that are finally decided on. Finalization of indicators will require a more inclusive process during which many stakeholders offer their opinions regarding the appropriateness and measurability of the draft indicators listed above. Drawing on this work, It will also be necessary to develop more precise indicators that relate to specific sectors.
2. *Identify clear monitoring responsibilities for carrying out, analyzing, and finalizing indicators.* There must be a lead government agency, and individual within this agency, who will take primary responsibility for monitoring indicators in the future. Similarly, one donor agency (or a coalition of agencies) must take responsibility for liaising with the GOV agency, and providing technical and financial support, as appropriate and necessary.
3. *Write specific quantitative and qualitative questionnaires for used in future monitoring.* After indicators are finalized, draft questionnaires will need to be developed for

future use. Much of the quantitative information can be captured through the use of the existing GOV data, though some disaggregation will have to be done to promote greater understanding of the impact of governance upon different socio-economic and/or regional groups in the country.

4. *Based upon discussions between GOV and donors, develop specific modalities for gathering both quantitative and qualitative information. Resource staff time and funds.* It is foreseen that qualitative and quantitative information will have to be gathered in a different manner. Much of the quantitative information can be gathered from existing GOV records, though some information may not be available at the central level. The qualitative information will likely have to be gathered in a stand-alone survey process, or in combination with qualitative information from other sectoral surveys. It is expected that this can be finalized in the first quarter of 2002.
5. *Field test qualitative questionnaires, and revise based upon initial findings.* It is anticipated that there will be some difficulties in gathering reliable, mutually comparable information from respondents throughout the country. An initial field test may be needed in the first quarter of 2002.
6. *Insert the governance questionnaires as one of Government Statistics Office’s “rotating modules” of questions for periodic use in the future.*

Once the indicators are finalized, and in place, they should provide a basis not just for monitoring the progress made in addressing poverty, but also serve as a good measure of the success of the governance and public management reform process. They should also provide a more than useful input to the future policy development process.

BIBLIOGRAPHY

- Asian Development Bank, *Fighting Poverty in Asia and the Pacific: The Poverty Reduction Strategy*, November 1999
- Asian Development Bank, *Human Capital of the Poor*, June 2001
- DFID (United Kingdom Department for International Development), *Strategies for Achieving the International Development targets, Making Government Work for Poor People*, June 2000
- Government of Vietnam, *Third Draft of the Strategy for Public Administration Reform*, March 2001
- M.Grindle, *The PSRP Process: What Next?*, April 2001 (Paper prepared for DFID)
- Joint Report of the Government of Vietnam- Donor Working Group on Public Expenditure Review, *Managing Public Resources Better*, 2000
- D. Kaufmann et al, *Governance Matters*, World Bank paper, 1999
- S Knack and P.Keefe, *Does Social Capital Have an Economic Payoff? A Cross-Country Investigation* The Quarterly Journal of Economics, 1997
- M.Moore, *Polity Qualities: How Governance affects Poverty*, Institute of Development, 1999
- S.Nachuk, *Key Issues Regarding Asian Development Bank Technical Assistance on Institutional Strengthening for the Central Region Poverty Reduction in Vietnam*, a paper prepared for DFID and ADB, July 2001
- D.Narayan, draft *Staff Guidance Paper on Empowerment* prepared for the World Bank, August 2000;
- D. Narayan et al, *Voices of the Poor: Can Anyone Hear Us?* World Bank paper, 2000
- United Nations Country Team (Vietnam), *IDT/MDG Progress*, July 2001
- United Nations Development Program, Consultants' Report on *Implementation of the Grass Roots Democracy Decree*, July 1999
- United Nations Development Program, *UNDP Poverty Report 2000*
- United Nations Development Program, *Choices for the Poor, Lessons from the National Poverty Strategies*, 2000
- Vietnam 2010, *Entering the 21st Century, Vietnam Development Report 2001: Pillars of Development*
- Vietnam 2010, *Entering the 21st Century, Vietnam Development Report 2001: Partnerships for Development*
- World Bank, *Governance: The World Bank Experience*, 1994
- World Bank, *Poverty Reduction Strategy Sources Book*, 2000
- World Bank, *World Development Report*, 2001/2001
- World Bank, *Vietnam: Assessment of the Interim Poverty Reduction Strategy Paper*, March 2001

Millennium Development Goals (MDGs)

Goals and Targets	Indicators
Goal 1: Eradicate poverty and hunger	
Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day	1. Proportion of population below \$1 per day 2. Poverty gap ratio [incidence x depth of poverty] 3. Share of poorest quintile in national consumption
Target 2: Halve, between 1990 and 2015, the proportion of people who suffer from hunger	4. Prevalence of underweight children (under-five years of age) 5. Proportion of population below minimum level of dietary energy consumption
Goal 2: Achieve universal primary education	
Target 3: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling	6. Net enrolment ratio in primary education 7. Proportion of pupils starting grade 1 who reach grade 5 8. Literacy rate of 15-24 year olds
Goal 3: Reach gender equality and empower women	
Target 4: Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015	9. Ratio of girls to boys in primary, secondary and tertiary education 10. Ratio of literate females to males of 15-24 year olds 11. Share of women in wage employment in the non-agricultural sector 12. Proportion of seats held by women in national parliament
Goal 4: Reduce child mortality	
Target 5: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate	13. Under-five mortality rate 14. Infant mortality rate 15. Proportion of 1 year old children immunised against measles
Goal 5: Improve maternal health	
Target 6: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio	16. Maternal mortality ratio 17. Proportion of births attended by skilled health personnel
Goal 6: Combat HIV/AIDS, malaria and other diseases	
Target 7: Have halted by 2015, and begun to reverse, the spread of HIV/AIDS	18. HIV prevalence among 15-24 year old pregnant women 19. Contraceptive prevalence rate 20. Number of children orphaned by HIV/AIDS
Target 8: Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases	21. Prevalence and death rates associated with malaria 22. Proportion of population in malaria risk areas using effective malaria prevention and treatment measures 23. Prevalence and death rates associated with tuberculosis 24. Proportion of TB cases detected and cured under DOTS (Directly Observed Treatment Short Course)
Goal 7: Ensure environmental sustainability	
Target 9: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources	25. Proportion of land area covered by forest 26. Land area protected to maintain biodiversity 27. GDP per unit of energy use (as proxy for energy efficiency) 28. Carbon dioxide emissions (per capita)
Target 10: Halve, by 2015, the proportion of people without sustainable access to safe drinking water	29. Proportion of population with sustainable access to improved water sources
Target 11: By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers.	30. Proportion of people with access to basic sanitation 31. Proportion of people with access to secure tenure [Urban/rural disaggregation of several of the above indicators will be relevant for monitoring improvement in the lives of slum dwellers]

Vietnam Development Goals* (VDGs)

Vietnam Development Goals directly based on the MDGs
Goal 1: Reduce the percentage of poor and hungry households
Target 1: Reduce by 40% the proportion of people living below the international poverty line between 2001 and 2010
Target 2: Reduce by 75% the number of people living under the international food poverty line by 2010
Goal 2: Universalize education and improve education quality
Target 1: Increase net enrolment in primary school to 97% by 2005 and to 99% by 2010
Target 2: Increase net enrolment rate in junior secondary school to 80% by 2005 and 90% by 2010
Target 3: Eliminate the gender gap in primary and secondary education by 2005, and the gap with ethnic minorities by 2010
Target 4: Increase literacy to 95% of under-40-year-old women by 2005 and 100% by 2010
Target 5: By 2010 have improved the quality of education and increase full-day schooling at primary level (exact target depends on funding)
Goal 3: Ensure gender equality and women empowerment
Target 1: Increase the number of women in elective bodies at all levels
Target 2: Increase the participation of women in agencies and sectors [includes ministries, central agencies and enterprises] at all levels by 3-5% in the next 10 years
Target 3: Ensure that the names of both husband and wife appears on the land-use right certificates by 2005
Target 4: Reduce the vulnerability of women to domestic violence
Goal 4: Reduce child mortality, child malnutrition and reduce the birth rate
Target 1: Reduce the infant mortality rate to 30 per 1000 live births by 2005 and 25 by 2010 and at a more rapid rate in disadvantaged regions (see below)
Target 2: Reduce the under-5 mortality rate to 36 per 1000 live births by 2005 and 32 by 2010
Target 3: Reduce under five malnutrition to 25% by 2005 and 20% by 2010
Goal 5: Improve maternal health
Target 1: Reduce the maternal mortality rate to 80 per 100,000 live births by 2005 and 70 by 2010 with particular attention to disadvantaged areas
Goal 6: Reduce HIV/AIDS infection and eradicate other major diseases
Target 1: Slow the increase in the spread of HIV/AIDs by 2005 and halve the rate of increase by 2010
Goal 7: Ensure environmental sustainability
Target 1: Extend forest cover to 43% by 2010 (from 33% in 1999)
Target 2: Ensure that 60% of the rural population has access to clean and safe water by 2005 and 85% by 2010. This should be the case for 80% of urban people by 2005.
Target 3: Ensure there are no slums and temporary houses in all towns and cities by 2010
Target 4: Ensure that all waste-water in towns and cities is treated by 2010
Target 5: Ensure that all solid waste is collected and disposed of safely in all towns and cities by 2010
Target 6: Air and water pollution must attain national standards by 2005
Vietnam Development Goals and Targets <i>not</i> directly based on MDGs
Goal 8: Reducing vulnerability
Target 1: By 2005, increase the average income of the lowest expenditure quintile to 140% of that in 2000 and to 190% of that by 2010
Target 2: Reduce by half the rate of poor people falling back into poverty due to natural disasters and other risks by 2010
Goal 9: Improving governance for poverty reduction
Target 1: Effectively implement grass-roots democracy
Target 2: Ensure budget transparency
Target 3: Implement legal reform agenda
Goal 10: Reducing ethnic inequality
Target 1: Preserve and develop the reading and writing ability of ethnic languages
Target 2: Ensure entitlement of individual and collective land-use rights in ethnic minority and mountainous areas
Target 3: Increase the proportion of ethnic minority people in authority bodies at various levels
Goal 11: Ensuring pro-poor infrastructure development
Target 1: Provide basic infrastructure to 80% of poor communes by 2005 and 100% by 2010
Target 2: Expand the national transmission grid to 900 poor commune centres by 2005

*Note: This is a summary of a fuller set of VDGs outlined in the CPRGS. The VDG papers have more targets and indicators.
Source: Govt of Vietnam (2002). *Comprehensive Poverty Reduction & Growth Strategy*.