

**International Non-Governmental Organisations'
Statement for the Consultative Group Meeting**

**Hanoi, Vietnam
7-8 December, 2010**

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Introduction

Close to 800 international non-governmental organisations (INGOs) have established relationships with Vietnam, 700 of which in total implement projects in all provinces and centrally administered cities around the country. INGOs work closely with the Government of Vietnam and local partners to participate in the country's rapid development. INGOs in Vietnam have a strong commitment to information-sharing, partnerships and coordination. A significant portion of these efforts is achieved through the support and services provided by the VUFO-NGO Resource Centre and the working groups facilitated under the centre's umbrella.

This statement is the outcome of several dialogues through electronic exchange and through discussion during an INGO forum held in November 2010. The statement has been drafted by the INGO representatives for the Consultative Group meeting and finalised by the VUFO-NGO Resource Centre. The INGO representatives who will form a delegation at the Consultative Group meeting are:

- Kim N. B. Ninh, Country Representative, The Asia Foundation;
- Thao Griffiths, Country Director, Vietnam Veterans of America Foundation;
- Stephen Price-Thomas, Country Director, Oxfam Great Britain;
- Peter Newsum, Country Director, CARE International;
- Marko Lovrekovic, Managing Co-Director, VUFO-NGO Resource Centre.

This statement brings together the views of INGOs on three of the four themes on the Consultative Group meeting's official agenda:

- Vietnam as Middle Income Country - Key Opportunities and Threats;
- Priorities for Sustainable Development;
- Ensuring Social Inclusion.

Vietnam as Middle Income Country: Key Opportunities and Threats

Based on 2009 Gross National Income (GNI) per capita, the World Bank classifies economies as low income at \$995 or less, middle income at \$996 - \$3,945 (lower) and \$946 - \$12,195 (upper), and high income at \$12,196 and above. Vietnam's 2009 GNI is \$1,010, which means the country has only just entered into the lower middle income rank. This past year however, has seen a growing concern over the 'middle income trap', a situation in which a poor country is able to achieve middle income status but cannot shift to true prosperity in the high income rank, since this generally requires an overhaul of the current economic growth model.

In the past few years, the Government and the public alike have become more concerned that rapid economic growth also exacerbates fundamental institutional weaknesses and creates new challenges, from social inequality to inadequate public services to more pollution. Increasing industrialisation is leading to the loss of

agricultural land, while the education sector struggles with how to train more skilled workers for factories and how to meet the country's larger ambition of becoming a stable and prosperous country. The development discourse in Vietnam is increasingly less about growth and more about sustainable growth, quality rather than quantity, and the importance of innovations from teaching methodology to business operations to governance practices that will help Vietnam to improve its competitiveness.

The drafting of the Socio-Economic Development Strategy (SEDS) 2011-2020 and the Socio-Economic Development Plan (SEDP) 2011-2015 by the Vietnamese Communist Party and the Government of Vietnam indicate strong awareness that the country needs new institutions and practices to support its continued growth and position in the region and in the world. But that process to establish new institutions and practices to support Vietnam's new phase of development will take time, and its success requires not only greater openness from the state, but also a high level of social consensus on what constitute effective governance and sustainable development for Vietnam. In that regard, the role of the state and state-society relations must be transformed to meet these challenges in Vietnam's next phase of reform as the country seeks to sustain and increase its standing as a true Middle Income Country capable of achieving real and sustainable prosperity.

Overcoming the middle income trap has turned out to be a very difficult task for many countries and can take many years or even decades to achieve. The next decade may well be critical for Vietnam in that process. As such, significant support is still needed for Vietnam to support institutional reform and policy renewal, and to address a range of key socio-economic challenges. As such, it would be premature for the donor community to step away from Vietnam's development process at this important juncture, which requires effective policy coordination, greater transparency and accountability, and the participation of civil society in the development process.

Key message 1: Comparative experiences in East and South-East Asia have shown that successful economies initially concentrated on labour-intensive, export-oriented industries, which ensured rapid employment growth and maintained a balanced between employment and productivity growth. But what made a big difference was that the supply of educated and skilled labour kept pace with, or was even ahead, of labour demand, avoiding growth slowdowns and rising wage inequalities. An effective education system (including vocational training) meeting the needs of the market and a changing society is the key, and the Government of Vietnam needs to pursue much great educational reform and investment.

Key message 2: Labour market policies need to encourage labour mobility and flexibility to respond quickly to the changing market and to absorb surplus labour. The increasing rural-urban gap in Vietnam is due partly to a more restrictive approach to internal migration, which generates high costs for rural workers to enter the manufacturing workforce, for example. And yet, this transition of labour from the farms to the factories must happen at a greater pace and more smoothly. As such, the Government should allow for greater movement of labour and support migrant workers with access to the critical public services they need where they actually live and work, such as housing, healthcare and education for their children.

Key message 3: A balance between enterprises of different sizes and of different

labour-productivity levels is needed, so as not to concentrate few workers in high end jobs or too many workers in low end jobs. Otherwise, there is the risk of a 'missing middle' which is critical to more equal distributions of earnings and better absorption of market shocks. The Vietnamese private sector is at a disadvantage in accessing land, credit, and markets in comparison with the preferential treatment provided to the state owned sector. The recent collapse of Vinashin provides a prime example of enormous losses of public funds and little accountability. Transparency, accountability and a level playing field between the private domestic sector and the state owned sector would foster productive competition and more effective use of the public investment much needed for Vietnam's competitiveness.

Key message 4: Growing urbanisation is leading to heavy traffic congestion, air pollution and inadequate affordable housing, given the influx of labour from the countryside. Growing industrialisation is increasingly turning agricultural farm land into economic zones, while basic services in the countryside such as education, healthcare and clean water lag behind those provided in the cities. As such, there is a need for the Government to pursue a more integrated approach towards rural and urban development.

Key message 5: Environmental degradation has been one of the most visible impacts of rapid economic growth. The dying of rivers and other waterways from direct industrial waste discharge, the tree-logging that exacerbates the impacts of floods and storms, the pollution of agricultural farm land from factories going up nearby and the increase in public health risks together show that Vietnam is experiencing serious environmental problems with insufficient corporate environmental compliance and inadequate government monitoring and enforcement. Investment and environmental responsibilities are often the concern of different ministries with little coordination. We urge a more coordinated government plan to address environmental pollution.

Key message 6: The key challenges facing Vietnam, some of which are outlined above, are complex and require state and society to work together to find and adapt solutions to the Vietnamese context in order to achieve a more coherent and unified vision for the country, to ensure policies that are effective and implementable and to support the Party and the Government's efforts to address corruption, administrative reform and poverty alleviation. The state needs to harness the energy and innovations from the broader society if Vietnam is to achieve and sustain its MIC status. Yet recent administrative regulations have made it harder for Vietnamese NGOs to thrive and to participate in the country's development process. We urge the Government to engage meaningfully on the role of civil society in Vietnam's development process and to provide a better enabling environment for Vietnamese NGOs to contribute to the country's further socio-economic transformation.

Priorities for Sustainable Development

Preserving the Environment During Rapid Growth

Vietnam is more or less self-sufficient in energy and food. It is a country with relatively low carbon emissions. It is important that Vietnam takes advantage of these conditions and keeps its carbon emissions at low levels as the country develops,

rather than to try reducing them once they reach unacceptably high levels. Vietnam is experiencing development unparalleled in its history with robust and rapid economic growth, placing tremendous strains on the natural environment. At the same time Vietnam is particularly vulnerable to the effects of climate change. The main threats to Vietnam's environment are overexploitation of forests, the loss of arable land, water and air pollution and the degradation of coastal areas.

Seventy per cent of people in Vietnam earn their living from the land, which makes them directly dependent on the quality and availability of natural resources. At the same time several factors are placing pressure on Vietnam's environment: growing population, increased urbanisation and rapid economic development. Vietnam has shown a strong commitment to protecting the environment and significant achievements have been made to ensure environmental sustainability as one of the eight Millennium Development Goals. INGOs welcome the Government's inclusion of sustainable development as one of the five directions of Vietnam's SEDS 2011-2020.

Vietnam's rapid economic development also generates increasing demand for energy and concomitant pressures on the environment and natural resources. With deliberate, pro-active policies and proper incentives to promote renewable energy, environmental protection and biodiversity, Vietnam has an opportunity to minimise environmental degradation yet continue development.

Renewable energy, in particular wind, solar, hydro and possibly tidal energy, can help meet Vietnam's rapidly increasing demand for energy while simultaneously avoiding the carbon emissions that contribute to climate change. It is scalable from the micro-level to industrial scale, and thus can meet the needs of individual households, schools, clinics and villages, and can feed into the national electricity grid. Preserving the country's forests captures carbon emissions and preserves the habitat of often-vulnerable communities that rely on forest products. Renewable energy and forest preservation can both generate revenue for the country via the sale of carbon credits. Eco-tourism, based in part on preservation of the country's biodiversity resources, can generate increased tourism revenue. Incentives and policies need to be supported by regulation that is consistently enforced.

To maintain the early achievement of environmental sustainability, several areas need further attention.

Key message 1: The Government needs to show stronger commitment to enforcing environment protection laws to prevent further environmental degradation.

Key message 2: The Government needs to establish a national body to oversee the conservation of biodiversity across all sectors and ministries (beyond the Ministry of Agriculture and Rural Development) in order to ensure effective implementation of key biodiversity targets. This is to ensure proper involvement of local communities and maintain the linkage between poverty reduction and conservation.

Key message 3: The Government needs to put in place an overall climate change strategy with long term goals on adaptation as well as carbon emissions. It is also important that economic planning has the goal of a low-carbon economy and that energy efficiency is improved.

Key message 4: The Government should recognise that wildlife is an integral part of Vietnam's rich biodiversity and that the illegal wildlife trade is the main driver of the loss of biodiversity in forests. The Government needs to show a more firm commitment to enforcing wildlife protection laws to prevent further loss of biodiversity. At present, there is a lack of real law enforcement by the Government's agencies to stop the illegal wildlife trade. Although Vietnam has introduced laws to stop the illegal trade in most cases they are not being enforced.

A More Strategic Approach to Climate Change Financing

As one of the countries most affected by climate change in the world, Vietnam has worked on developing plans since 2008 starting with the establishment of a National Target Programme to Respond to Climate Change (NTP-RCC). This programme aimed to assist ministries to develop action plans, including the integration of climate change into the SEDP 2011-2015. Limited progress has been made; most plans lack sufficient analysis, targets or strategies to tackle adaptation or mitigation issues. The Government through the Ministry of Planning and Investment has made efforts to integrate climate change into the SEDP 2011-2015, which is an important step in the right direction.

Bearing in mind the advancing international framework for climate change adaptation and mitigation, the financing models being debated, and the importance of early action on climate change, a few points are important.

Key message 1: Aid effectiveness commitments should be respected and climate change financing mechanisms should use existing financial modalities in Vietnam. Funding modalities should seek to advance commitments made in the Hanoi Core Statement on Aid Effectiveness.

Key message 2: The Government should put in place effective and transparent structures to acquire and manage funding from new climate change facilities, such as the Adaptation Fund.

Key message 3: The Government and civil society should work with regional and global counterparts to ensure that an appropriate mix of financing is received. In particular Vietnam should consider demanding that all funding for adaptation should be in the form of grants, not loans.

Key message 4: Ensure linkages between the Government, donors, civil society and the private sector to support knowledge sharing, coordination and cooperation.

Key message 5: The Government, and in particular the Ministry of Planning and Investment, the Ministry of Finance and the Ministry of Natural Resources and Environment, should work towards a more effective process that enables local communities, and in particular the poorest and most vulnerable groups, especially women, to be empowered throughout all stages of planning and implementation related to climate change, including budget negotiations. Planning should be based on human vulnerability analysis, and make sure the most vulnerable people are targeted.

Key message 6: There is currently a gap between the amount of climate change funding reaching the central Government and funding for local-level implementation through civil society. There should be an appropriate balance between the two. This will help ensure local level learning, as well as create better ownership, sustainability and accountability of responses.

Key message 7: The leadership of and accountability to vulnerable groups can only be ensured if there is a supportive network of stakeholders joining efforts from the macro to the micro level. Distributed leadership should be the aim, where leadership capacity is built at all levels and in particular at commune and village level.

Key message 8: Donors should ensure that all funding mechanisms have sufficient safeguards which enable poor and vulnerable groups, including women, to defend their social, economic and environmental rights. As a result climate change funding should clearly aim to reduce inequality, including gender inequality.

Key message 9: Monitoring and evaluation should focus not only on a policy matrix. It should also track climate change impacts including gender differentiated impacts, especially on the poorest and most vulnerable, and the effectiveness of initiatives to address these impacts.

Ensuring Social Inclusion

Vietnam has made striking achievements in poverty reduction. However, the rate of poverty reduction is slowing down, and hunger and illiteracy are still significant problems in the poorest communes. Rural poverty is now concentrated in 'poverty pockets' in remote ethnic minority areas and has distinctive characteristics for each ethnic group, village and household. The two groups of 'chronic' and 'temporary' poor differ in terms of employment opportunities and capacity to earn a living. Specific solutions should be integrated in a comprehensive rural social-security system. Increasing numbers of near-poor households require further support to ensure they remain above the poverty line.

Poverty is multi-dimensional, reflected in income/expenditure+0 and non-income criteria. The absence of multi-dimensional poverty measures has impeded the formulation of support policies appropriate to specific target groups. For example, legacies of war including Agent Orange and cluster munitions contamination have a disproportionate effect on those in affected areas, leading to both a greater number of individuals with disabilities and heightened insecurity for all.

Inequality is growing in Vietnam, with the main inequalities being different outcomes achieved by different ethnic groups and gender inequality. There are many causes for some ethnic minorities remaining entrenched in poverty, although the principle ones appear to be quality of education, access to natural resources and stigma and discrimination. In addition the deep poverty faced by many ethnic minorities means that they are the most vulnerable to changes in their environment, changes that climate change has already caused.

Stigma and discrimination is a major factor in determining development outcomes

and is common in Vietnam with respect to ethnic groups and persons with disabilities. Poor ethnic minority groups are often considered backward and uncivilised, even by people who aim to help them. As a result policies are formed which treat ethnic minorities as passive victims rather than as agents of change. All people need to own their development process. It is therefore important that new approaches to poverty reduction are introduced that enable poor ethnic minority people and persons with disabilities to fully participate in the development process, and recognise that one size does not fit all. INGOs are ready to share positive experiences, for example the support of ethnic minority entrepreneurs. Local NGOs also have significant relevant experience and knowledge: it would be easier to harness these if a supporting and enabling framework for Vietnamese NGOs were created.

It is recommended that the Government and donors embrace a culturally sensitive approach that places ethnic minority knowledge and rights at the centre of their development. The new five-year poverty reduction programmes, such as Programme 135 and Programme 30a, present opportunities to do this and should include the following priorities:

- Capacity building for government officials in cultural diversity and rights;
- Policy development and enforcement that protect ethnic minorities' access to and control over critical resources such as forests, lands and watersheds;
- The acceleration of bilingual and mother-tongue education policy development and implementation;
- An emphasis on the quality of outcomes in addition to participation rates.

Key message 1: Use a multi-dimensional approach to poverty that accommodates non-income criteria such as human resources, assets, physical security and access to support services. Some support policies should not necessarily be attached to income but to non-income poverty instead. The multi-dimensional poverty approach could boost decentralisation and empowerment at the grass-roots level in identifying beneficiaries of each policy and support programme, while keeping them under the guidance and supervision of the higher administrative levels.

Key message 2: Provide synchronised support for the development of human resources of the poor in mountainous ethnic minority regions in five areas: child education, Vietnamese language skills, vocational training, extension services for adults, and social and economic reintegration of persons with disabilities. In terms of child education, stronger support is needed for semi-boarding schools ('locally funded boarding') without discrimination between poor and non-poor students, and for the training and promotion of the 'assistant teacher' network working in mountainous ethnic minority areas.

Key message 3: Within the Comprehensive Strategy for Social Protection for Vietnam's Rural Areas with a Vision towards 2020, the policies aimed at extending accessibility and increasing the Government's support for vulnerable groups should be integrated, including support measures for rural families in the poorest districts in Programme 30a. It is recommended that vulnerability mapping and assessments, including climate change challenges, are integrated into development planning. Food security and contingency plans for disasters are top priorities in addressing key vulnerabilities. Existing safety nets and social assistance policies for vulnerable

groups should be strengthened both through re-design and expanded funding.

Key message 4: Design a poverty reduction programme in close coordination with comprehensive rural social protection, emphasising social support measures for the chronic poor and sustainable livelihood support measures for the temporary poor. A policy matrix should be added to the draft proposal Comprehensive Strategy for Social Protection for Vietnam's Rural Areas with a Vision towards 2020. This matrix should clearly identify the groups that need support, policies that need revision or supplementation and appropriate forms of implementation of social security. Supplementary policies are also needed to support near-poor households, especially those that have just escaped from poverty, to achieve sustainable poverty reduction, and to address legacies of war for highly impacted communities.

Key message 5: Develop a comprehensive social protection policy framework for urban areas. Such a social protection system should target specific groups that have multi-dimensional poverty features (although not necessarily classified as poor according to the uni-dimensional income/expenditure-based measure) and migrants. Regular social assistance provided under Decree 67/CP should be expanded to cover the whole 'hard core' poor (absolute and chronic poor) groups in urban areas and help them maintain a basic life.

Key message 6: Classification of the poor should focus resources towards the most vulnerable groups when the poverty line is increased in urban areas. Because Hanoi and Ho Chi Minh City increased the poverty line in early 2009, a greater number of households fell under the poverty line. With limitations on resources, it is necessary to classify the poor into different groups in order to determine appropriate policies at each level of poverty. Strategic and careful planning is needed for programmes of poverty reduction support in urban areas. Migrant immigrants, as one of the most vulnerable, yet overlooked groups, urgently need to be integrated into considerations of poverty. Other provinces and cities can learn valuable lessons from the experiences in Ho Chi Minh City, allowing consideration of long-term temporary migrants and classifying the poor into two groups in order to have more appropriate social protection policies for each group.

Key message 7: The directive on the implementation of the new poverty line for the period from 2011 to 2015, which is double the former poverty line (for the period from 2006 to 2010), will lead to a sharp increase in the proportion of poor households and start a new poverty reduction cycle. Following this directive, each province and city will have to consider whether or not to further increase their own poverty lines. Cities like Hanoi and Hai Phong will definitely have to review their own current poverty lines as their existing poverty lines, though recently updated, will be lower than the new national poverty line.