

Supporting the state through aid?

The case of Vietnam

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I. Introduction

When Vietnam finally opened its doors to the world in 1986 through an economic ‘renovation’ policy also known as *Doi Moi*, a groundswell of interest in this unknown Communist nation emerged from the international development community. Apart from Sweden and Finland, bilateral development assistance programmes in Vietnam date no earlier than 1990 when normal diplomatic relations were restored with the majority of Western countries.¹ Relations between Canada and Vietnam blossomed in 1994 with a visit by a Canadian trade delegation led by Prime Minister Jean Chrétien and the formulation of the Canadian International Development Agency’s (CIDA) first Country Development Programme Framework (CDPF) for Vietnam.

This chapter traces the contribution that CIDA has made in advancing good governance during this decade or so of involvement in Vietnam. An assessment is conducted of the overall approach that CIDA chose to adopt and the consequences that its strategy had for achieving its good governance aims. Inductive, qualitative methods are used to conduct this assessment. This includes documentary analysis that traces both the official and unofficial record of CIDA’s interventions in Vietnam, examination of scholarly work on Vietnam’s political economy and structured interviews with relevant stakeholders both within and external to CIDA. Based on the rich contextual understanding that these methods foster, an appraisal is made of CIDA’s effectiveness in advancing good governance in Vietnam.

¹ The United States was one notable exception, only removing its trade embargo against Vietnam in 1994.

But what is good governance? Good governance entails, first and foremost, “improving the capacity, commitment and quality of government administration, of developing an effective developmental state” (White, 1998: 25). The historical record of capitalist transition has proven that strong, if un-democratic, states are necessary in order to steer industrialization, navigate market liberalization and arbitrate global competitive forces (Centre for the Future State, 2005; Chang, 2002; Watts, 1998: 454; White, 1998). In other words, the market alone is an insufficient condition for the transition to capitalism. Developmental states, however, must delicately balance being effective (or autonomous) and accountable (or embedded), with the balance that is struck acting as a critical influence on their long-run democratic potential (Centre for the Future State, 2005; Cheema, 2005; Evans, 1995). As Unsworth writes in this volume, “[g]etting better governance involves striking a balance between the need for effective state control and capacity to act, and the need for holders of state power to be accountable for their actions.” This chapter adopts this two-pronged definition of good governance, suggesting that the desire for good governance is the desire for the twin aims of an autonomous and embedded state. Assessing CIDA’s good governance work in Vietnam thus largely concentrates on the ways its programme coaxes a developmental Vietnamese state that balances these countervailing imperatives of autonomy and embeddedness, with an eye on its prospects for evolving into a modern democratic polity.

In order to accomplish this goal, this chapter is organized into six sections. In the section following this introduction, a brief development and political profile of Vietnam are provided. Section III presents CIDA’s overall priorities and financial commitments

for good governance in Vietnam and outlines the nature of CIDA's current operational work in good governance in terms of two aid modalities: stand-alone technical assistance projects and multi-donor financing arrangements. In section IV, the distinctiveness of CIDA's efforts as a bilateral donor in Vietnam is the subject of analysis, while the final section offers some insight into possible intended and unintended effects of CIDA's governance interventions for the autonomy and embeddedness of the Vietnamese state.

II. The backdrop for aid in Vietnam

Prior to 1988, Vietnam largely remained isolated from the international aid community. It only received small amounts of assistance from a handful of friendly OECD nations and UN agencies. This drastically changed in 1986 with the election of the reform-minded Nguyen Van Linh as Secretary General of the Community Party. Linh initiated a process of economic liberalisation, or *Doi Moi*, that raised almost all aspects of citizen well-being.

Vietnam has been considered an economic success story since it first launched *Doi Moi*. Gross National Income (GNI) per capita increased from US\$ 114 in 1990 to US\$ 480 in 2005.² Adjusting for purchasing power parity, this GNI qualifies Vietnam as a low-income country and makes it eligible for concessional lending from the International Development Association (IDA). Vietnam is largely perceived to have weathered the impact of the 1997 East Asian financial crisis well, and between 1990 and 2002 annual GDP growth averaged 7.1 %. Production of goods for export also dramatically increased between this period: seafood exports rose from US\$ 239 million to US\$ 2 billion, rice exports from 1.6 to 3.2 million tonnes, coffee from 93 000 to 713 000

tonnes, coal from 800 000 to 5 600 000 tonnes, and garments from US\$ 214 million to US\$ 2.7 billion. Annual capital investment increased from \$1.4 million in 1990 to \$11 billion in 2002 (For a good overview of Vietnam's impressive economic success, see Saumier, 2003).

Vietnam is a casebook example of the impact that sustained and equitably distributed economic growth can have on poverty reduction. The number of poor as percentage of the population fell from 75 percent in 1990 to 32 percent in 2000. During this same period primary school enrolments rose from 80 percent to 94 percent, infant mortality declined from 50 deaths per 1000 live births to 29, and under-five mortality dropped to 38 per 1000 from 54. The 2005 *Human Development Report* ranks Vietnam in 108th place among 177 nations on the basis of its Human Development Index (HDI). Vietnam suffers from less income inequality than the United States, a positive legacy of Communist rule. Vietnam looks poised to successfully attain many of the United Nations' Millennium Development Goals, and has thus given itself additional targets to meet by 2015 including many that relate to governance; for example, the implementation of grassroots democracy, the enhancement of budget transparency, and the advancement of a legal reform agenda. A new set of worldwide indicators on governance designed by the World Bank has ranked Vietnam relatively low in terms of the state's accountability to its citizenry but relatively high in terms of its autonomy and effectiveness (Table 1). Nonetheless, there do seem to be small positive improvements in the state's political and social embeddedness over the 1998-2004 period.

Table 1 Select governance indicators for Vietnam (2005)

Governance Indicator	Year	Percentile	Number of
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² All figures are quoted in Canadian dollars unless otherwise stated.

		Rank¹	surveys/polls²
Voice and Accountability	2004	7.3	10
	1998	4.2	4
Political Stability	2004	51.9	10
	1998	69.1	6
Government Effectiveness	2004	44.2	12
	1998	49.2	6
Regulatory Quality	2004	27.6	10
	1998	24.5	5
Rule of Law	2004	35.7	15
	1998	20.5	9
Control of Corruption	2004	27.1	13
	1998	29.5	8

Source: Kaufmann-Kray indicators, World Bank (2005)

¹Percentile rank indicates the percentage of countries worldwide that rate below Vietnam (subject to margin of error)

²Percentile ranks reflect the statistical compilation of responses on the quality of governance by citizen and expert survey respondents.

Given Vietnam's apparent dynamism and development success, one must give pause to consider why it continues to draw such considerable donor interest. If anything, Vietnam's experience points to the irrelevancy of external financing for development and the paramount importance of a strong state. Yet, for better or for worse, the country continues to attract donor attention and resources. Indeed, Vietnam actually has a surfeit of Official Development Assistance (ODA) funding. In 2005, it was the World Bank's 2nd largest concessional borrower after India, and the largest IDA-only borrower in the world. Commitments to Vietnam totalled US\$ 700 million, up from US\$ 368.1 million in 2003. Vietnam's absorptive capacity for ODA is largely limited by donors' concern with perceived problems of governance that jeopardize effective use of external resources for developmental purposes. As such, state capacity building provides an important, if often implicit, rationale for donor involvement in Vietnam, justified by the relatively widespread desire to quicken disbursements, advance the use of programmatic

instruments and deepen democratic impulses.³ Nevertheless, donors continue to justify their interventions in Vietnam on the basis of developmental need. To some extent this is correct, for many Vietnamese live only marginally above the poverty line despite decades of socialist rule. Pockets of extreme poverty still exist in rural areas (especially in the highland provinces) and among ethnic minorities. Vietnam's recent accession to World Trade Organization (WTO) in November 2006 suggests that growing inequality between rich and poor may worsen before it improves.

In terms of the political backdrop for aid in Vietnam, the Vietnamese Communist Party (VCP) still dominates the landscape. The VCP's small size (2.5 million members or 3% of the population) belies its near-monopoly of coercive powers over both government and state (Abuza, 2001: 9). Power is concentrated in the VCP's Central Committee, members of which are selected by the Party. From this Committee, members of an exclusive Politburo are chosen. The Politburo constitutes the pinnacle of the VCP, with its Chairman acting as Party Secretary General. In the relatively recent transition to market socialism, the VCP has staunchly sought to preserve its monopoly of power, looking to China's development experience as its role model. And yet, Vietnam has liberalized far more quickly and moved faster and further than any other comparable state socialist economy with a large agricultural base, including China (Watts, 1998). Nonetheless, a key consideration in all governmental policy and program debates remains the extent to which the nature and timing of individual reform measures might threaten or compromise the position of the Party (Saumier, 2003: 6).

³ Programme-based arrangements are a way of engaging in development based on principles of coordinated donor support. Typically they include a single comprehensive programme and budget framework that donors collectively subscribe to. They are also meant to reflect support for a local strategy by using local systems of design, implementation and financial management.

The Vietnamese National Assembly has traditionally been nothing more than a rubber stamp for the VCP, although since the late 1990s it has increasingly exercised greater assertiveness (Abuza, 2001: 20).⁴ The Assembly sits for only two months of the year, its powers devolving to a powerful Standing Committee in the interim. The Government of Vietnam is composed of bureaucrats appointed on a de facto presidential model. The National Assembly appoints the Prime Minister, although there is only ever one candidate pre-selected by the Politburo. There is no over-arching coordinating body like the “cabinet” found in Westminster Parliamentary systems and the Prime Minister is typically involved in the minutia of daily government administration, though also a member of the Politburo (Saumier, 2003). While he does obtain some support from the Office of Government (the elite wing of Vietnamese public service), this agency’s reputation for ineffectiveness has led to successive PMs appointing small and personalized advisory and analysis bodies. Overall, the operation of government occurs in a highly opaque and secretive environment. All senior officials of Government are thought to be subject to special surveillance by the Party, government policy statements are never published and the rationale for policy decisions are never made public nor requested by the state-controlled media.

Vietnam’s sub-national administration is divided into 64 provinces and municipalities, with districts and communes reporting to these (Conway, 2004: 5). While the commune remains the lowest administrative level of the state, villages are recognized as local representative units and interact with commune officials. At each level in the hierarchy there are People’s Councils (the local legislature) and People’s Committees (the local executive selected within the People’s Council). National-provincial dialogue

⁴ The VCP, however, still controls Assembly membership.

occurs through annual meetings between provincial/municipal chairs and the Prime Minister, the rotation of senior official in central ministries into senior posts in the provinces and informal provincial delegations within the National Assembly. While provinces do enjoy some discretion in implementing national policies and spending budgetary resources, formal authority in Vietnam remains heavily centralized.

III. Canada's governance priorities and commitments in Vietnam

III. 1 The Vietnamese context

The values and objectives of Canadian aid are highly susceptible to both international trends and domestic political pressures. The rise of good governance as an area of programming in Canadian development policy is no exception to this rule. The first manifestation of this agenda arose from controversial debate over the role of Canadian aid in regimes violating human rights, spending excessively on their militaries or where there were persistent problems of corruption (Schmitz, Pistor and Furi, 2003). In response to a major foreign policy review in the mid-1990s, Canada endorsed human rights, democracy and good governance as major program priorities. It is fair to say that good governance captures both political and bureaucratic interest to a point where it is now a major banner item for Canadian aid policy.

As such, CIDA has always had good governance as an explicit objective of its relatively young aid programme to Vietnam, albeit within an overall program that

privileges poverty reduction.⁵ This was in line with Vietnam's Comprehensive Poverty Reduction and Growth Strategy (C-PRGS) in which governance formed one of three critical priorities.

CIDA's priorities for good governance in Vietnam have largely been defined in terms of facilitating the country's transition from a centrally planned economic system to a market economy. This focus on improving economic governance is shared with the bulk of the donor community operating in Vietnam, and is driven by the Communist Government's reluctance to address uncomfortable questions over political reform and the international development community's professed desire for country 'ownership'. Demand by Vietnam for donor assistance in the area of governance is, strictly limited to maximizing the gains from poverty reduction through its capitalist transition and protecting its economy from the harmful residual effects of liberalization. Questions of political reform are generally sidelined except where they may directly benefit Vietnam's ongoing financial and economic liberalization. Thus, in parallel and often in concert with other donors, CIDA has defined its governance priorities in Vietnam in terms of formal legislative and regulative institution-building, as well as less formalized initiatives to transfer knowledge and skills through capacity-building that can all foster equitable economic growth. This has not precluded CIDA's interest in improving the state's embeddedness in and accountabilities to society. Nonetheless, CIDA frames aspirations for enhanced political governance by, first and foremost, justifying its benefits for the ongoing transition to market socialism.

⁵ In its most recent CDPF, CIDA adopted the overarching goal of reducing the percentage of poor and hungry households in Vietnam. In addition to governance, the 2004-2009 CDPF outlined two additional priority areas: the improvement of rural livelihoods through support for agriculture and rural development; and enhanced access to quality basic education, particularly for disadvantaged children.

Governance programming will be designed to improve the policy environment and *strengthen the institutional capacity of the Government of Vietnam to facilitate Vietnam's economic transition* and at the same time contribute to more transparent and accountable governance. [...] In the view of CIDA and donors generally, the collective effort of reforming and implementing the legislative and regulatory regimes surrounding Vietnam's ongoing economic transformation *can also* have a positive impact on government and corporate transparency and accountability, democratic decision-making processes and, potentially, human rights (CIDA, 2004: 22).

Since 1999, CIDA's bilateral programme in Vietnam has explicitly targeted 40% of its ODA disbursements for governance, although it has fallen short of this goal for most of this period (Table 2). Canada's increasing financial commitment to governance-related activities is part of a visible trend across all donors operating in Vietnam. Demonstrating this through data on external resource inflows is a challenge, however, as there exists no universally accepted operational definition for what constitutes sector programming in the area of 'good governance.' For example, the United Nations Development Programme (UNDP) groups external aid inflows to Vietnam into one of six categories⁶: (1) Major infrastructure; (2) Policy and institutional support; (3) Rural development; (4) Human development; (5) Natural resources; (6) Emergency and relief (UNDP, 2005: 23). Given that most donors define their activities in good governance in Vietnam in terms of policy and institutional supports for equitable economic growth, there are grounds for taking this category as a proxy for total ODA expenditures on governance.⁷ Policy and institutional support accounted for 26 per cent of total disbursements in Vietnam in 2003, the second major ODA category after infrastructure.

⁶ The UNDP's 2005 *Development Cooperation Report* for Vietnam aggregates and refines the ODA taxonomy provided by the Development Cooperation Assistance System (DCAS). DCAS groups aid into one of 17 sectors and more than 80 sub-sectors.

⁷ The policy and institutional support category includes contributions towards activities related to economic management, development administration and international and domestic trade.

The value of ODA within this category increased by US\$ 533 million, a 226 percent annual increase (UNDP, 2005: 25). This is suggestive of a growing area of interest and commitment in governance within the community of donors operating in Vietnam.

Table 2 CIDA good governance disbursements in Vietnam

Fiscal Year	00-01	01-02	02-03	03-04	04-05	05-06 (projected)	06-07 (projected)
Governance expenditures (in C\$ millions)	5.9	5.6	5.3	7.0	7.3	14.3	13.5
As a % of total CIDA bilateral disbursements in-country (%)	36.1%	24%	22.9%	33.2%	25.7%	46.8%	47.6%

Source: CIDA, in-house

III.2 CIDA's involvement and interlocutors in Vietnam

Over 2003-2004, 25 bilateral donors reported ODA disbursements in Vietnam totalling US\$ 967.7 million (CIDA, 2005: 51). Canada provided 2.4% of this total assistance package (approximately US\$ 23 million), ranking it as Vietnam's ninth largest bilateral donor. This relatively small portfolio belies both the country's importance within Canada's aid programme—Vietnam is Canada's 10th largest bilateral aid recipient and one of twenty-five priority countries identified in Canada's *International Policy Statement* (CIDA, 2005: 33)—and the size of CIDA's influence within the local aid community.

At the time of writing, CIDA's bilateral involvement in specific governance-related activities in Vietnam largely took two forms.⁸ In the first, CIDA engages in

⁸ This review does not examine governance programmes that operate through the Canadian Partnership Branch that funds involvement in Vietnam by Canadian organizations (universities, professional

technical assistance, the transfer of knowledge and expertise by providing funds on the basis of a planned project. The second aid modality that CIDA utilizes to advance its bilateral governance agenda is multi-donor financing systems coordinated through collaborative arrangements.

One could cast the net wider to look at projects in other sectors that have an effect on better governance in Vietnam. Indeed, this is one of the dilemmas involved in analyzing aid for good governance that is also highlighted by the editors of this volume. The decision to solely examine CIDA's bilateral activities with explicit governance objectives is motivated by the belief that the linkages between operations and outcomes within these would be both more explicit and direct, thus making an assessment of their governance impact somewhat easier. Furthermore, given the need to circumscribe the scope of this research, the examination of activities designated as governance projects in the first instance would seem appropriate. As such, while other areas of CIDA's bilateral programming may have outcomes for governance, for example decentralized rural development, this chapter has chosen to limit itself to those bilateral operations that identify governance as a primary objective. Those operations falling within this category, current as of September 2005, are outlined in Appendix I and II.

The first observation to make about CIDA's bilateral involvement in Vietnam is the variety of activities subsumed under the label 'governance.' Thus, technical assistance activities touch upon areas ranging from legal reform, banking reform, judicial training, pollution management, policy formulation, language training, training for

associations, NGOs) and the Multilateral Programs Branch that is responsible for CIDA's relationship with international institutions.

women and flood prevention. CIDA's multi-donor contributions towards governance range from the harmonization of donor aid processes, support for financial management modernization and public administration reform, and a contribution to the World Bank's Poverty Reduction Support Credit (PRSC).⁹ This diversity suggests that donors believe that creating an effective developmental state is a complex problem that can be attacked on many fronts. Nevertheless, this complexity and multi-dimensionality add to the complication of assessing the sum total of CIDA's programming impact for governance.

Secondly, CIDA channels the bulk of its programming for good governance through bilateral technical assistance. Its total operational project budget at the time of writing was approximately \$ 74.3 million, of which \$ 54.4 million or 73% is channelled through bilateral technical assistance. The remaining 17% of its involvement in governance is through multi-donor arrangements, of which its contribution to the PRSC comprises 97%. The balance struck between CIDA's bilateral to multi-donor interventions raise important questions about whether this is the most appropriate resource allocation for strategically advancing the good governance agenda. Detractors suggest that good governance is better achieved through coordinated funding mechanisms in sectors meant to have positive spillovers for governance; for example, strengthening fiscal management systems. Nevertheless, ploughing funds into multilateral funds raises awkward questions about the rationale for bilateral agency engagement at the country level.

Interestingly, only a handful of CIDA's bilateral projects in governance fall under \$ 1 million. This profile suggests that CIDA is limiting projects that fall below a

⁹ The PRSC is an aid instrument created by the World Bank to provide programmatic budget support (in the form of a concessional loan) in annual tranches for countries implementing their Poverty Reduction

minimum threshold level, in line with thinking that effective development requires concentrating assistance in fewer, well-funded activities (Government of Canada, 2005). It also potentially indicates that there is a consensus that good governance is best advanced through larger-sized investments.

Another feature of Canada's bilateral programme is the degree to which it uses its aid program to advance opportunities for Canadian consultants, private sector and civil society actors and academic experts. In a significant number of good governance projects, implementing agencies are purposely Canadian, albeit working in collaboration with the Vietnamese government. Yet, recent initiatives like the Paris Declaration on Aid Effectiveness (2005) underline the value of untied aid and coordinated technical cooperation where support is rooted in country-led implementation units.

Notwithstanding, there are good examples where Canadian counterparts have maintained exceptional responsiveness to government priorities, for example the Policy Implementation Assistance Project (PIAP). Nevertheless, this does not undermine the broader need for CIDA to critically assess the nature of Canadian partner involvement in bilateral projects and to assure itself that it is not unintentionally substituting for the capacity it is seeking to foster locally.

Finally, it is notable that the bulk of CIDA's local partners are government agencies ranging from the Prime Minister's Research Commission, the Ministry of Planning and Investment and Ministry of Justice. This state-centric approach reflects CIDA's concern that pursuing programming with local non-state actors could provoke a strong negative reaction from Government. It also partly arises from a degree of

Strategy Paper (or in Vietnam's case, the C-PRGS).

optimism by CIDA that political reform can emerge Vietnam from within the Party-state. And yet, as will be highlighted later, this state-centric approach may have deleterious consequences for advancing good governance.

IV. Canada's distinctiveness in Vietnam

Given the number of active donors in Vietnam and the overabundance of ODA, there remain few *unique* contributions to be made by any single external actor. Indeed, Canada's distinctiveness as a donor in Vietnam probably derives more from its comparative advantage in particular professional fields. There is some indication that Canada's dual civil and common law traditions has made its advice on the design of a nascent legal system within the PIAP programme highly valued, with Quebec's civil code informing and influencing Vietnam's Civil Code and Code of Civil Procedure. Such experience and expertise could also be drawn upon in the upcoming judicial training project that aims to foster a better-managed court system and a more independent and accountable judiciary. Other areas where Canada could exercise leverage over both the Vietnamese government and other donors derives from its experience as a highly decentralized federation, from which it has gained knowledge of organizing and implementing public programs across political jurisdictions (for example, in the area of taxation). These sources of comparative advantage could be more strategically exploited in its diverse portfolio of technical assistance projects.

This still begs the question whether technical assistance provides CIDA with greater leverage in advancing good governance objectives than its multi-donor interventions. This is not to question the success of many of CIDA's stand-alone

projects¹⁰ but rather to consider whether this mechanism offers the best window for advancing its broader governance objectives. There is considerable consensus among CIDA officials that the distinctiveness and leverage of its governance programme in Vietnam derives primarily from its bilateral technical assistance activities, or at least from its dual delivery mechanisms. In this view, technical assistance programmes in governance are a major source of CIDA's credibility and effectiveness but also justify Canada's involvement in multi-donor arrangements like the Like Minded Donor Group (LMDG), where the former informs CIDA's participation and contributions in the latter.

Nonetheless, it is interesting to compare this view with that of a larger and more influential bilateral donor in Vietnam—the UK's Department for International Development (DFID). For DFID, working through multi-donor channels and through programmatic mechanisms is a way to foster aid effectiveness, placing greater responsibility on the Vietnamese government for development results and permitting greater leverage for the policy reform agenda. While the local DFID office in Hanoi staffs over 20 people and has an annual budget of approximately £55 million, its portfolio only consists of one or two traditional bilateral technical assistance projects representing a small percentage of its total allocations. While a few projects are conducted in simple collaborations with other donors, the bulk of its funds are channelled through programmatic and multi-donor financing instruments. It is plausible that this shift to programmatic approaches has provided some of the momentum behind the success of the

¹⁰ Common examples cited as successful technical assistance projects include the PIAP programme that has achieved substantial leverage with high-ranking government officials and translated into often-unexpected policy outcomes like the promulgation in November 2004 of a Competition Law. Similarly, CIDA's environment project has been praised for strengthening knowledge bases of industrial pollution management control at sub-national levels, as well as improving provincial-national collaboration and strengthening environmental protection laws.

LMDG, which in turn has been an important influence on the growing size and credibility of CIDA within multi-donor interventions in Vietnam.¹¹

If one thing is certain, it is that CIDA's seat at the table of multi-donor coordination bodies has allowed it to wield greater influence on the Vietnamese state than its relatively small portfolio would otherwise grant it.¹² Through its membership of the LMDG, CIDA has acquired agenda-setting powers and acted as an important interlocutor with the Government. The LMDG also has the added value of granting CIDA enhanced opportunities for exercising moral leadership, further cementing its reputation as a bilateral donor committed to the new normative context of aid that privileges organizational partnerships and collaborative work. This is evidenced by Canada's position as chair of the LMDG group in 2005, the leadership it has taken in LMDG priority work areas like the PRSC and procurement reform, and its position as one of only two LMDG members on the Partnership Group on Aid Effectiveness. Multi-donor arrangements appear to be important vehicles for achieving leverage in core governance reforms¹³ by uniting donors behind a common agenda with unified procedural requirements. The decision by CIDA to channel 73% of its good governance programming through bilateral technical assistance should be considered against this evidence and experience.

¹¹ The Like-Minded Donors Group was the creation of the Utstein group of donors (UK, the Netherlands, Germany and Norway) in 1999, although Canada only joined in 2002. It now consists of these five members plus Sweden, Denmark, Finland, Australia and Switzerland. Historically, the share of ODA disbursed by the LMDG has accounted for between 12 and 17 percent of total ODA in Vietnam. The LMDG focuses on small projects, with 83 percent reporting disbursements below US\$ 1 million in 2003 and only six projects with disbursements up to US\$ 10 million. In 2003, the group disbursed approximately US\$ 270 million, or 16 percent of total ODA to Vietnam (UNDP, 2004).

¹² Among the 10 members of the LMDG, Canada is the fourth smallest contributor to external assistance, only ahead of Finland, Norway, and Switzerland (UNDP, 2005: 53-54).

¹³ By core governance reforms, CIDA refers to public management, public administration reform, anti-corruption and procurement.

Certainly, one important limitation to CIDA's existing and expanding participation in multi-donor aid modalities derives from its particular internal organizational constraints. A Development Assistance Committee (DAC) peer review of CIDA described it as one of the most centralized bilateral donor agencies (Development Assistance Committee, 2002). It is this perception as a slow and cumbersome bilateral donor that first acted as a barrier of entry to CIDA's initial request to join the LMDG, only surmounted after CIDA country officials reiterated their commitment to assume an active role that would not impede the group's overall speed and effectiveness.

However, the perception of CIDA's inefficiency does have some basis in reality. For example, CIDA country-based managers, Ottawa-based directors, and even CIDA Vice Presidents have limited delegated authority to contract for project delivery (selection approval) or to disburse aid funds (project approval) when compared to their counterparts in other bilateral agencies. The Minister of Development Cooperation must approve amounts above the ceilings listed in Table 3, with projects over \$ 20 million requiring Treasury Board Secretariat approval.¹⁴ Meanwhile, the public fallout from government corruption scandals and critical evaluations of CIDA have exacerbated pressures on CIDA to enhance its accountability to both central agencies of Government and their political masters. In the drive to create more responsible government, however, complex, cumbersome and sometimes even contradictory strategic performance management systems are introduced into CIDA, an organization already that is already far too centralized and risk averse (Goldfarb and Tapp, 2006). The result has been a further reduction of CIDA's speed, flexibility and responsiveness. This limits

¹⁴ The Treasury Board Secretariat is a central government agency of Canada in charge of public expenditure management and oversight.

possibilities for action within multi-donor bodies like the LMDG, channelling Canadian involvement into positions of re-active/moral rather than pro-active/financial leadership, and ultimately undermining its ability to capitalize on small, emergent and transitional spaces to advance good governance. These organizational limitations are recognized by CIDA and, to their credit, they have engaged in the occasional innovation to overcome them; for example by championing an increase in the approval authority of Vice Presidents within the LMDG initiative on the Harmonization of ODA Procedures or by de-centralizing higher levels of authority to the field in its Africa programme. What is now needed is greater political will both within and beyond CIDA to engage in organizational reforms that will simultaneously ensure Canada’s development agency remains as effective as it can be in the field while still preserving its accountability to Ottawa.

Table 3 Maximum project and selection authority for three levels of CIDA staff

	Country Manager	Director	Vice President
Project approval (disbursal)	\$50 000	\$500 000	\$5 million
Selection approval (new projects)	0	\$ 50 000	\$100 000

Source: in-house, CIDA

V. Assessing effectiveness: a final note

In the introduction, the term good governance was equated to an effective and embedded developmental state; that is, possessing the capacity to act and still remaining accountable for its actions. Examining CIDA’s overall bilateral programme in good governance, one is left with the impression of a highly state-centric portfolio that

prioritises the goal of effectiveness over embeddedness. This prioritisation can be broadly attributed to CIDA's reluctance to antagonize the established political order in Vietnam. Not only would donor demands for political reform violate the current international consensus on the importance of recipient country 'ownership' and rooted principles of state sovereignty and donor neutrality, it could also severely undermine and threaten CIDA's relationship with Vietnamese officialdom—thereby jeopardizing Canada's place and position as a bilateral donor.

A state-centric approach thus becomes the only feasible option for CIDA. In Vietnam, this takes two principle forms. Within its technical assistance projects, CIDA has intentionally focused on attaining economic governance goals by enhancing formal institutions and the capacity of officials to act within and through these. CIDA is engaged in organization building, knowledge transfer and skill development in highly specialized areas like legal system reform and environmental management, with newer technical assistance projects involving banking reform and judicial training poised to build upon the foundations of earlier work. Meanwhile, CIDA's involvement in multi-donor arrangements related to public administration reform, procurement reform and public financial management have given it important influence within a core set of governance activities. Using this two-pronged approach to its aid delivery, CIDA is undeniably achieving success in creating formal institutions, enhancing professional conduct, and improving managerial competencies within the official state apparatus.

There seem to be at least two possible unintentional consequences, however, of this state-centric focus. In the first place, the privileging of the state as CIDA's primary interlocutor and the desire to avoid sensitive discussions on political reform have meant

that the attention paid to societal forces is usually a secondary concern in CIDA programmes. Where the role of social movements and civil society organizations is of primary concern to CIDA, it is generally separated from strategic discussions on the implications for accountability relationships between the Vietnamese state and society. Instead, societal forces become salient only as state substitutes in relatively uncontroversial areas like language training, disaster planning, environmental planning and gender equality. As Smillie notes elsewhere in this volume, CIDA's efforts in advancing governance through civil society does not support these organizations as governance players in their own right; rather, the agency engages more often than not discreet, short-term projects that seek to achieve specific sectoral outcomes. The common belief is that there are fewer benefits to be accrued in supporting non-state groups because of their limited policy influence and relatively continuous identity with the Vietnamese government and state. Nonetheless, this ignores the fact that fostering embeddedness does not require a programmatic 'choice' between state and society. State embeddedness in a dense network of societal ties provides alternative sources of intelligence and channels of implementation that can enhance the competence of the state (Evans, 1995: 248). Donors need to recognize that fostering good governance requires prioritising actions that enhance reciprocities and mutual dependencies within state-society interactions and consider societal actors as vehicles of governance themselves.

A second possible unintentional outcome of state-focused development programming may derive from the ways a state-centric approach limits the possibilities for nascent opposition movements striving for greater embeddedness. There remains considerable uncertainty about if, and through what generative mechanisms, the focus on

formal state institutions and officials translates into a more effective *and* embedded developmental state. While CIDA officials largely reject this potential unintentional consequence of their programme, it makes sense to at least give some consideration as to its possibility. Obviously a state-centric focus does not per se prove that CIDA's programme, or any other donor's for that matter, is undermining indigenous reform movements by strengthening state autonomy to the detriment of its embeddedness. Nonetheless, one might suggest that this state-centric approach may be reinforcing conservative trends, if only because it channels vast resources to support formal Vietnamese state institutions at a time when emerging civil society organizations, political opposition and social movements are increasingly trying to test it (Fforde, 2005). While there are important limitations on CIDA's ability to champion political reform and work with non-state actors, opportunities to renegotiate state-society relations also seem to be wasted in Vietnam as a result of donors falling into line behind the development aid 'dogmas' of multilateral agencies. This can potentially silence the few critical voices asking uncomfortable questions about even the most minor political reforms (Fforde & Porter, 1995: 14). Indirect *etatization* by donors aligned behind a 'harmonized agenda' may be particularly unfortunate given the relatively small number of local change agents and intra-societal alliances in Vietnam—forces that have proven pivotal in the history of democratisation elsewhere (Abuza, 2001: 9; Ferguson, 1994). As Unsworth argues in her contribution to this volume, historically external assistance has always been better able to nurture local social movements than create them from scratch.

One notable intended consequence of CIDA's involvement in Vietnam has been its concerted efforts to limit the demands and burdens of its aid programme on

government by engaging in multi-donor financing modalities, where many of these financial arrangements additionally relate to the harmonization of aid policies and procedures. The sincerity of Canada's efforts in this area is a promising basis for an honest and constructive relationship with the Vietnamese state that may go some length to altering domestic incentive structures in favour of improved governance. One outcome of the success of multi-donor cooperation in Vietnam, however, has been the increasing popularity for governance programming among bilateral donors. More bilateral donors are seeking to establish a foothold in Vietnam in formal institution and capacity building, despite the large number already operating in this sector and a relatively bountiful ODA account. This begs the question whether Vietnam may be attracting aid for governance that might be better spent in low-income countries where state capacity may be far less but the possibilities for enhancing state embeddedness more obvious.

An effective and embedded developmental state *is* within Vietnam's grasp in the medium-to-long term. But the drive for political accountability and reform in Vietnam does not require more funding so much as small-scale, slow, and sustained donor involvement, where interventions exploit key, if often unexpected and fleeting, entry points for change (Centre for the Future State, 2005: 44). It also requires focusing donor interventions on the improvement of interactions and accountabilities between state and society. For the bilateral donor agency willing to engage in highly organic, politically sensitive and frustratingly unpredictable processes, the gains from governance programming are likely to be enormous.

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List of acronyms

CDPF	Country Development Programme Framework
CIDA	Canadian International Development Agency
C-PRGS	Comprehensive Poverty Reduction and Growth Strategy
DAC	Development Assistance Committee
DCAS	Development Cooperation Assistance System
DFID	Department for International Development (UK)
GNI	Gross National Income
HDI	Human Development Index
IDA	International Development Association
LMDG	Like-Minded Donor Group
NGO	Non-governmental Organization
ODA	Overseas Development Assistance
PIAP	Policy Implementation Assistance Project
PRSC	Poverty Reduction Support Credit
UNDP	United Nations Development Programme
VCP	Vietnam Communist Party
WTO	World Trade Organisation

Appendix I.

Current CIDA's bilateral investments for Good Governance in Vietnam

CIDA's bilateral involvement in governance-related activities in Vietnam largely takes two forms.¹⁵ This appendix provides an overview of operational CIDA governance activities that rely on both these aid modalities. It examines the purpose, value, duration and key Canadian and Vietnamese interlocutors of current bilateral interventions in order to appreciate the variety of operations, approaches and sectors associated with CIDA's good governance agenda. All data and figures were supplied and verified by CIDA at the time of writing (September 2005).

1. *Technical assistance projects*

Legal Reform Assistance Project (LERAP)	
CIDA contribution : \$5 million	Duration: 2001-2007
Canadian implementing agencies: Bearing Point, Centre for Asia-Pacific Initiative, University of Victoria	Local partner: Vietnam Ministry of Justice
This project develops mechanisms to improve the application of the law in order to promote sound economic development, as well as informing and educating Vietnamese citizens on legal issues and improving their access to and utilization of the justice system. CIDA has sought to build local capacity in comparative law analysis for the purpose of supporting Government reviews of current legislation and help the Ministry comply with WTO trading regime regulations. There are tentative plans to contribute an additional \$10 million towards a second phase of this legal reform project beginning in 2007.	

Vietnam Banking Legislative Review	
CIDA contribution: \$225 000	Duration: June 2003-December 2005
Canadian implementing agencies: Canadian Embassy, Hanoi	Local partner: State Bank of Vietnam
The Government of Vietnam places a high priority on banking reforms that can create a stable macroeconomic environment, develop local capital markets and support growth of the private sector. This project provides short and punctual assistance to the State Bank of Vietnam in reviewing banking legislation, specifically the Law on the State Bank of Vietnam and the Law on Credit Institutions. At the end of the review, the National Assembly passed a revised Law on Credit Institutions.	

Banking Reform Project	
CIDA contribution: \$ 9.175 million	Duration: 2002-2009
Canadian implementing agencies: DevPar/Gowlings/IBM	Local partner: State Bank of Vietnam
Following on from the Vietnam Banking Legislative Review, this project aims to improve the State Bank's overall organization and management. Its focus is on banking supervision functions, prudential management and compliance standards at state-owned commercial Banks and private share-holding banks.	

¹⁵ This review does not examine governance programmes that operate through the Canadian Partnership Branch that funds involvement in Vietnam by Canadian organizations (universities, professional associations, NGOs) and the Multilateral Programs Branch that is responsible for CIDA's relationship with the international institutions.

Policy Implementation Assistance Project (PIAP II)	
CIDA contribution: \$10 million	Duration: 2000-2006
Canadian implementing agencies: Experco-Stikeman Elliott International	Local partners: Prime Minister's Research Commission (PMRC), Prime Minister's Research Group on External Economic Relations (GEER), National Assembly Standing Committees on Laws and Social Affairs
This project supports the knowledge needs of high-level decision makers in the Vietnamese government as they navigate the uncertainties and challenges of transforming a planned economy. It follows from PIAP I that had a budget of \$10.2 million to promote economic and administrative reform by building Government-desired knowledge of and capacity for policy formulation, assessment and implementation. A PIAP III phase is expected to begin in 2006 with an expected budget of approximately \$10 million.	

Judicial Development and Grassroots Engagement Project (JUDGE)	
CIDA Contribution: \$12 million	Duration: 2005-2010
Local partners: Supreme People's Court, the Ministry of Justice, select civil society organizations	
This project builds competencies within the legal-judicial sector by improving the quality of administering justice and access to the legal system by disadvantaged groups. The focus is on developing judicial training institutions, assisting the Supreme Court reform the court system and improving dispute resolution mechanisms for target populations.	

Vietnam-Canada Environment Project (VCEP II)	
CIDA contribution: \$12.3 million	Duration: 1999-2005
Canadian implementing agencies: ESSA Technologies and SNC Lavalin	Local partners: Ministry of Natural Resources, Departments of National Resources
The Government of Vietnam has been reluctant to engage in environmental mitigation efforts where such efforts might jeopardise industrial and employment expansion. As such, CIDA attempts in this project to improve environmental capacity, transparency and accountability of organizations and institutions in order to implement environmental mandates. CIDA will contribute another \$10 million to implement phase III of VCEP that begins in 2006.	

Young Canadian Volunteers in Vietnam	
CIDA contribution: \$3.5 million	Duration: 1998-2006
Canadian implementing agency: World University Service of Canada	
This project provides English and French training for the purpose of enhancing socio-economic development and facilitating the transition to a market economy.	

Vietnam-Canada Social and Women's Initiative Fund Phase II	
CIDA contribution: \$1 million	
Canadian implementing agency: Canada Fund	
This Fund follows from an earlier project that sought to improve the political, entrepreneurial, and managerial skills of Vietnamese women and heighten gender equality awareness.	

Vietnam-Canada Environment Project (VCEP II)	
CIDA contribution: \$1.2 million	Duration: 2002-2005
Canadian implementing agency: Canadian Centre for International Studies and Cooperation	
This recently concluded project sought to reduce social and economic vulnerabilities deriving from climate change, particularly from flooding in Central Vietnam.	

2. Multi-donor interventions

Vietnam Harmonization of ODA Procedures	
CIDA contribution: \$384 000	Duration: 2004-2006
Fund contributors: Like-Minded Donor Group (Canada, Aus AID, UK, Finland, Netherlands, Switzerland); Japan, World Bank	Primary Local Partner: Ministry of Planning and Investment
<p>This project is an outgrowth of efforts among the Like Minded Donor Group (LMDG), Japan and the World Bank to increase donor harmonization and improve government capacity in project and program management. CIDA has budgeted a further \$10 million towards a harmonization facility that will provide funds to multi-donor initiatives within the LMDG to be dispensed by 2010, either through pooled funding or multi-lateral co-financing/basket funding instruments. The Facility will be used to support governance activities and promote aid effectiveness. The harmonization facility also makes an attempt to overcome bureaucratic procedures within CIDA by giving Vice Presidents the power to select projects valued up to \$2 million.</p>	

Multi-Donor Support for Financial Management Modernization	
CIDA contribution: \$350 000	Duration: 2002-2005
Implementing Organization: World Bank	Fund contributors: Like Minded donor Group (Denmark, Netherlands, Norway, Sweden, UK, Canada, Switzerland) Local partner: Ministry of Finance
<p>The purpose of this initiative is to harmonize donor efforts in supporting the development and implementation of the Government of Vietnam's Public Financial Management Reform Initiative. This project is expected to improve fiscal management processes and provide a stronger fiduciary basis for donors seeking to provide greater budget support to Vietnam. The implementation of this fund is through two jointly financed funds supervised by the World Bank.¹⁶ The project is held to be a working example of donor coordination.</p>	

Poverty Reduction Support Credit Contribution (PRSC)	
CIDA contribution: \$19 million	Duration: 2002-2007
Implementing Organization: World Bank	Fund contributors: Under aegis of LMDG (Denmark, Netherlands, Sweden, Britain, Canada); other co-financiers (European Commission, Asian Development Bank, Japan)
<p>The PRSC is an aid instrument created by the World Bank to provide budget support for countries implementing their Poverty Reduction Strategy Paper (or in Vietnam's case, the C-PRGS). Disbursement are dependent on the success that Vietnam makes in advancing the main objectives of the C-PRGS, including actions related to public financial management, legal reform and anti-corruption. The PRSC is co-managed by the World Bank and the Government of Vietnam, although it is becoming the single most important mechanism for donor harmonization through co-financing arrangements with LMDG members. CIDA has provided its contribution under the aegis of the LMDG in order to reduce transaction costs and exercise greater influence on government. CIDA has taken an interest in the environmental and educational components of the PRSC, assuming the position of sector-leader in the working group dealing with the former. It is expected that CIDA will contribute another \$19 million towards the next PRSC over the 2007-2010 period.</p>	

¹⁶ CIDA's financial contribution represents less than 6 % of the total value of each fund.

3. Other

Vietnam Multi-Donor Governance Reform Project	
CIDA contribution: \$1.1 million	Duration: 2001-2010
Implementing Organization: UNDP	Fund contributors: Canada, Netherlands, Norway, Sweden, Switzerland
While this intervention is not listed in appendix II, interviewees often referred to it as representing a substantial Canadian contribution to a UNDP-led initiative on public administration reform in Vietnam. This contribution is part of a larger pooled basket fund totalling US\$ 18.4 million.	